

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2020

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)

(770) 381-1000

(Registrant's telephone number, including area code)

Not applicable.

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

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

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

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

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

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

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

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

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

As of October 31, 2020, the registrant had 39,303,270 shares of common stock, \$0.01 par value per share, outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PRIMERICA, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	(Unaudited)	
	September 30, 2020	December 31, 2019
	(In thousands)	
Assets:		
Investments:		
Fixed-maturity securities available-for-sale, at fair value (amortized cost: \$2,318,098 in 2020 and \$2,274,770 in 2019)	\$ 2,453,076	\$ 2,356,996
Fixed-maturity security held-to-maturity, at amortized cost (fair value: \$1,563,352 in 2020 and \$1,299,102 in 2019)	1,323,740	1,184,370
Equity securities, at fair value (historical cost: \$29,952 in 2020 and \$32,671 in 2019)	33,856	40,684
Trading securities, at fair value (cost: \$13,489 in 2020 and \$43,257 in 2019)	13,470	43,233
Policy loans	30,605	32,927
Total investments	3,854,747	3,658,210
Cash and cash equivalents	330,877	256,876
Accrued investment income	18,448	17,361
Reinsurance recoverables	4,229,088	4,169,823
Deferred policy acquisition costs, net	2,532,409	2,325,750
Agent balances, due premiums and other receivables	280,915	227,100
Intangible assets	45,275	45,275
Income taxes	72,707	70,492
Operating lease right-of-use assets	47,685	47,265
Other assets	420,051	384,634
Separate account assets	2,468,328	2,485,745
Total assets	<u>\$ 14,300,530</u>	<u>\$ 13,688,531</u>
Liabilities and Stockholders' Equity:		
Liabilities:		
Future policy benefits	\$ 6,664,061	\$ 6,446,569
Unearned and advance premiums	18,308	15,470
Policy claims and other benefits payable	467,609	339,954
Other policyholders' funds	425,537	388,663
Notes payable	374,320	374,037
Surplus note	1,323,146	1,183,728
Income taxes	216,640	209,221
Operating lease liabilities	53,889	53,487
Other liabilities	519,363	510,443
Payable under securities lending	48,883	28,723
Separate account liabilities	2,468,328	2,485,745
Commitments and contingent liabilities (see <i>Commitments and Contingent Liabilities note</i>)		
Total liabilities	<u>12,580,084</u>	<u>12,036,040</u>
Stockholders' equity:		
Common stock (\$0.01 par value; authorized 500,000 shares in 2020 and 2019; issued and outstanding 39,374 shares in 2020 and 41,207 shares in 2019)	394	412
Paid-in capital	-	-
Retained earnings	1,629,114	1,593,281
Accumulated other comprehensive income (loss), net of income tax:		
Unrealized foreign currency translation gains (losses)	(14,820)	(5,765)
Net unrealized investment gains (losses) on available-for-sale securities:	105,758	64,563
Total stockholders' equity	<u>1,720,446</u>	<u>1,652,491</u>
Total liabilities and stockholders' equity	<u>\$ 14,300,530</u>	<u>\$ 13,688,531</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	<i>(In thousands, except per-share amounts)</i>			
Revenues:				
Direct premiums	\$ 736,606	\$ 692,258	\$ 2,156,331	\$ 2,056,806
Ceded premiums	(393,716)	(388,982)	(1,183,090)	(1,179,364)
Net premiums	342,890	303,276	973,241	877,442
Commissions and fees	185,302	179,719	547,159	525,502
Investment income net of investment expenses	37,657	35,444	103,333	106,867
Interest expense on surplus note	(14,704)	(12,769)	(42,250)	(35,212)
Net investment income	22,953	22,675	61,083	71,655
Realized investment gains (losses)	642	285	(7,645)	4,200
Other, net	16,674	14,698	45,375	41,746
Total revenues	568,461	520,653	1,619,213	1,520,545
Benefits and expenses:				
Benefits and claims	160,166	128,684	434,625	366,036
Amortization of deferred policy acquisition costs	47,491	63,883	170,979	187,273
Sales commissions	91,950	89,061	274,049	262,960
Insurance expenses	46,109	44,854	138,572	132,825
Insurance commissions	9,694	6,980	22,871	18,427
Interest expense	7,221	7,209	21,614	21,589
Other operating expenses	59,347	54,843	181,413	176,468
Total benefits and expenses	421,978	395,514	1,244,123	1,165,578
Income before income taxes	146,483	125,139	375,090	354,967
Income taxes	34,382	28,916	89,010	82,133
Net income	112,101	96,223	286,080	272,834
Earnings per share:				
Basic earnings per share	\$ 2.82	\$ 2.28	\$ 7.07	\$ 6.40
Diluted earnings per share	\$ 2.81	\$ 2.28	\$ 7.05	\$ 6.38
Weighted-average shares used in computing earnings per share:				
Basic	39,588	41,964	40,281	42,420
Diluted	39,710	42,100	40,396	42,550
Supplemental disclosures:				
Total impairment losses	\$ (23)	\$ (1,064)	\$ (4,269)	\$ (1,225)
Impairment losses recognized in other comprehensive income before income taxes	-	-	-	-
Net impairment losses recognized in earnings	(23)	(1,064)	(4,269)	(1,225)
Other net realized investment gains (losses)	92	536	1,176	733
Net gains (losses) recognized on equity securities	573	813	(4,552)	4,692
Net realized investment gains (losses)	\$ 642	\$ 285	\$ (7,645)	\$ 4,200

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	<i>(In thousands)</i>			
Net income	\$ 112,101	\$ 96,223	\$ 286,080	\$ 272,834
Other comprehensive income before income taxes:				
Unrealized investment gains (losses) on available-for-sale securities:				
Change in unrealized holding gains on available-for-sale securities	15,347	12,304	49,624	93,329
Reclassification adjustment for realized investment (gains) losses included in net income	(50)	542	3,128	517
Foreign currency translation adjustments:				
Change in unrealized foreign currency translation gains (losses)	6,312	(4,009)	(9,055)	8,799
Total other comprehensive income before income taxes	21,609	8,837	43,697	102,645
Income tax expense related to items of other comprehensive income	3,265	2,696	11,557	20,100
Other comprehensive income, net of income taxes	18,344	6,141	32,140	82,545
Total comprehensive income	<u>\$ 130,445</u>	<u>\$ 102,364</u>	<u>\$ 318,220</u>	<u>\$ 355,379</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	<i>(In thousands)</i>			
Common stock:				
Balance, beginning of period	\$ 397	\$ 420	\$ 412	\$ 427
Repurchases of common stock	(3)	(6)	(21)	(16)
Net issuance of common stock	-	1	3	4
Balance, end of period	394	415	394	415
Paid-in capital:				
Balance, beginning of period	-	-	-	-
Share-based compensation	4,759	4,524	23,215	22,474
Net issuance of common stock	-	(1)	(3)	(4)
Repurchases of common stock	(4,759)	(4,523)	(23,212)	(22,470)
Balance, end of period	-	-	-	-
Retained earnings:				
Balance, beginning of period	1,569,689	1,537,535	1,593,281	1,489,520
Cumulative effect from the adoption of new accounting standards, net	-	-	(1,240)	-
Net income	112,101	96,223	286,080	272,834
Dividends	(15,882)	(14,324)	(48,496)	(43,468)
Repurchases of common stock	(36,794)	(66,149)	(200,511)	(165,601)
Balance, end of period	1,629,114	1,553,285	1,629,114	1,553,285
Accumulated other comprehensive income:				
Balance, beginning of period	72,594	47,970	58,798	(28,434)
Change in foreign currency translation adjustment, net of income taxes	6,312	(4,009)	(9,055)	8,799
Change in net unrealized investment gains during the period, net of income taxes	12,032	10,150	41,195	73,746
Balance, end of period	90,938	54,111	90,938	54,111
Total stockholders' equity	<u>\$ 1,720,446</u>	<u>\$ 1,607,811</u>	<u>\$ 1,720,446</u>	<u>\$ 1,607,811</u>
Dividends declared per share	<u>\$ 0.40</u>	<u>\$ 0.34</u>	<u>\$ 1.20</u>	<u>\$ 1.02</u>

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended September 30,	
	2020	2019
<i>(In thousands)</i>		
Cash flows from operating activities:		
Net income	\$ 286,080	\$ 272,834
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Change in future policy benefits and other policy liabilities	399,193	206,624
Deferral of policy acquisition costs	(377,610)	(320,224)
Amortization of deferred policy acquisition costs	170,979	187,273
Change in income taxes	(7,845)	(8,216)
Realized investment (gains) losses	7,645	(4,200)
Accretion and amortization of investments	779	(503)
Depreciation and amortization	12,486	13,285
Change in reinsurance recoverables	(69,774)	(15,650)
Change in agent balances, due premiums and other receivables	(53,815)	(31,838)
Trading securities sold, matured, or called (acquired), net	29,582	51
Share-based compensation	15,737	15,069
Change in other operating assets and liabilities, net	(9,484)	6,826
Net cash provided by (used in) operating activities	403,953	321,331
Cash flows from investing activities:		
Available-for-sale investments sold, matured or called:		
Fixed-maturity securities — sold	62,925	33,472
Fixed-maturity securities — matured or called	335,053	305,349
Short-term investments — matured or called	-	8,250
Equity securities — sold	2,508	3,136
Available-for-sale investments acquired:		
Fixed-maturity securities	(435,934)	(444,160)
Equity securities — acquired	(179)	(818)
Purchases of property and equipment and other investing activities, net	(22,450)	(19,988)
Cash collateral received (returned) on loaned securities, net	20,160	(12,629)
Sales (purchases) of short-term investments using securities lending collateral, net	(20,160)	12,629
Net cash provided by (used in) investing activities	(58,077)	(114,759)
Cash flows from financing activities:		
Dividends paid	(48,496)	(43,468)
Common stock repurchased	(218,079)	(181,069)
Tax withholdings on share-based compensation	(5,666)	(7,017)
Finance leases	(209)	(211)
Net cash provided by (used in) financing activities	(272,450)	(231,765)
Effect of foreign exchange rate changes on cash	575	801
Change in cash and cash equivalents	74,001	(24,392)
Cash and cash equivalents, beginning of period	256,876	262,138
Cash and cash equivalents, end of period	\$ 330,877	\$ 237,746

See accompanying notes to condensed consolidated financial statements.

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

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

Description of Business. Primerica, Inc. (the “Parent Company”), together with its subsidiaries (collectively, “we”, “us” or the “Company”), is a leading provider of financial products 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”).

The accompanying unaudited condensed consolidated financial statements contain all adjustments, generally consisting of normal recurring accruals, which are necessary to fairly present the balance sheets as of September 30, 2020 and December 31, 2019, the statements of income, comprehensive income, and stockholders’ equity for the three and nine months ended September 30, 2020 and 2019, and cash flows for the nine months ended September 30, 2020 and 2019. Results of operations for interim periods are not necessarily indicative of results for the entire year or of the results to be expected in future periods.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are sufficient to make the information not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto that are included in our Annual Report on Form 10-K for the year ended December 31, 2019 (“2019 Annual Report”).

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

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

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

Significant Accounting Policies. All significant accounting policies remain unchanged from the 2019 Annual Report unless otherwise described.

New Accounting Principles. 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. Available-for-sale (“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 condensed 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 remove the requirement to consider recoveries or declines in fair value after the balance sheet date. We adopted the amendments in ASC 326 as of the January 1, 2020 application date through a cumulative-effect adjustment to beginning retained earnings of \$1.2 million, net of taxes. Furthermore, the adoption of ASC 326 did not result in any material changes to impairment losses recognized in our condensed consolidated statement of income for AFS securities. Refer to Note 3 (Investments) and Note 5 (Reinsurance) for more information on credit losses.

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, disability, 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 condensed consolidated financial statements beginning on the effective date. On September 30, 2020, the FASB voted to defer the effective date of ASU 2018-12 by an additional year, moving the effective date from January 1, 2022 to January 1, 2023. The adoption of ASU 2018-12 will have an 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, modify 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 condensed consolidated financial statements at this time.

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 implementation of ASU 2019-12 to have a material effect on our condensed consolidated financial statements.

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

(2) Segment and Geographical Information

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<i>(In thousands)</i>				
Revenues:				
Term life insurance segment	\$ 357,799	\$ 314,527	\$ 1,013,778	\$ 908,239
Investment and savings products segment	176,337	173,153	525,551	508,909
Corporate and other distributed products segment	34,325	32,973	79,884	103,397
Total revenues	<u>\$ 568,461</u>	<u>\$ 520,653</u>	<u>\$ 1,619,213</u>	<u>\$ 1,520,545</u>
Net investment income:				
Term life insurance segment	\$ 6,813	\$ 5,123	\$ 19,598	\$ 14,303
Investment and savings products segment	-	-	-	-
Corporate and other distributed products segment	16,140	17,552	41,485	57,352
Total net investment income	<u>\$ 22,953</u>	<u>\$ 22,675</u>	<u>\$ 61,083</u>	<u>\$ 71,655</u>
Amortization of DAC:				
Term life insurance segment	\$ 45,529	\$ 61,548	\$ 164,099	\$ 181,792
Investment and savings products segment	1,667	2,044	6,072	4,622
Corporate and other distributed products segment	295	291	808	859
Total amortization of DAC	<u>\$ 47,491</u>	<u>\$ 63,883</u>	<u>\$ 170,979</u>	<u>\$ 187,273</u>
Non-cash share-based compensation expense:				
Term life insurance segment	\$ 566	\$ 572	\$ 3,031	\$ 3,061
Investment and savings products segment	635	660	2,397	2,780
Corporate and other distributed products segment	1,018	838	10,309	9,228
Total non-cash share-based compensation expense	<u>\$ 2,219</u>	<u>\$ 2,070</u>	<u>\$ 15,737</u>	<u>\$ 15,069</u>
Income (loss) before income taxes:				
Term life insurance segment	\$ 105,315	\$ 83,760	\$ 283,110	\$ 238,099
Investment and savings products segment	51,372	48,795	145,931	138,821
Corporate and other distributed products segment	(10,204)	(7,416)	(53,951)	(21,953)
Total income before income taxes	<u>\$ 146,483</u>	<u>\$ 125,139</u>	<u>\$ 375,090</u>	<u>\$ 354,967</u>

Total assets by segment were as follows:

	September 30, 2020		December 31, 2019	
	<i>(In thousands)</i>			
Assets:				
Term life insurance segment		\$ 6,849,335		\$ 6,546,129
Investment and savings products segment (1)		2,590,140		2,598,493
Corporate and other distributed products segment		4,861,055		4,543,909
Total assets		<u>\$ 14,300,530</u>		<u>\$ 13,688,531</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 \$ 121.9 million and \$ 112.8 million as of September 30, 2020 and December 31, 2019, respectively.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<i>(In thousands)</i>				
Revenues by country:				
United States	\$ 488,216	\$ 443,883	\$ 1,384,215	\$ 1,293,971
Canada	80,245	76,770	234,998	226,574
Total revenues	<u>\$ 568,461</u>	<u>\$ 520,653</u>	<u>\$ 1,619,213</u>	<u>\$ 1,520,545</u>
Income before income taxes by country:				
United States	\$ 122,797	\$ 104,033	\$ 304,895	\$ 291,491
Canada	23,686	21,106	70,195	63,476
Total income before income taxes	<u>\$ 146,483</u>	<u>\$ 125,139</u>	<u>\$ 375,090</u>	<u>\$ 354,967</u>

	September 30, 2020	December 31, 2019
	(In thousands)	
Long-lived assets by country:		
United States	\$ 41,588	\$ 41,200
Canada	4,416	4,916
Total long-lived assets	<u>\$ 46,004</u>	<u>\$ 46,116</u>

(3) Investments

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

	September 30, 2020			
	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	\$ 9,759	\$ 466	\$ (1)	\$ 10,224
Foreign government	160,379	12,615	(44)	172,950
States and political subdivisions	154,666	7,927	(452)	162,141
Corporates	1,507,770	104,860	(8,555)	1,604,075
Residential mortgage-backed securities	282,899	12,276	(53)	295,122
Commercial mortgage-backed securities	115,155	5,762	(391)	120,526
Other asset-backed securities	87,470	1,640	(1,072)	88,038
Total fixed-maturity securities	<u>\$ 2,318,098</u>	<u>\$ 145,546</u>	<u>\$ (10,568)</u>	<u>\$ 2,453,076</u>

	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	<u>\$ 2,274,770</u>	<u>\$ 84,838</u>	<u>\$ (2,612)</u>	<u>\$ 2,356,996</u>

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

The scheduled maturity distribution of the available-for-sale fixed-maturity portfolio as of September 30, 2020 was as follows:

	Amortized cost	Fair value
	(In thousands)	
Due in one year or less	\$ 151,438	\$ 153,747
Due after one year through five years	855,485	911,029
Due after five years through 10 years	521,830	562,810
Due after 10 years	303,821	321,804
	<u>1,832,574</u>	<u>1,949,390</u>
Mortgage- and asset-backed securities	485,524	503,686
Total AFS fixed-maturity securities	<u>\$ 2,318,098</u>	<u>\$ 2,453,076</u>

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

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

	September 30, 2020		December 31, 2019	
	Cost	Fair value	Cost	Fair value
	(In thousands)			
Fixed-maturity securities	\$ 13,489	\$ 13,470	\$ 43,257	\$ 43,233

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

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

The LLC Note is classified as a fixed-maturity held-to-maturity security in the Company’s invested asset portfolio as we have the positive intent and ability to hold the security until maturity. As of September 30, 2020, the LLC Note had an estimated unrealized holding gain of \$239.6 million based on its amortized cost and estimated fair value. The estimated fair value of the LLC Note is expected to be at least equal to the estimated fair value of the offsetting Surplus Note. See Note 4 (Fair Value of Financial Instruments) for information on the fair value of our financial instruments and see Note 12 (Debt) for more information on the Surplus Note.

As of September 30, 2020, no credit losses have been recognized on the LLC Note held-to-maturity security.

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 \$7.8 million and \$7.5 million as of September 30, 2020 and December 31, 2019, respectively.

Securities Lending Transactions. We participate in securities lending transactions with broker-dealers and other financial institutions to increase investment income with minimal risk. We require minimum collateral on securities loaned equal to 102% of the fair value of the loaned securities. We accept collateral in the form of securities, which we are not able to sell or encumber, and to the extent the collateral declines in value below 100%, we require additional collateral from the borrower. Any securities collateral received is not reflected on our unaudited condensed consolidated balance sheets. We also accept collateral in the form of cash, all of which we reinvest. For loans involving unrestricted cash collateral, the collateral is reported as an asset with a corresponding liability representing our obligation to return the collateral. We continue to carry the loaned securities as invested assets on our unaudited condensed consolidated balance sheets during the terms of the loans, and we do not report them as sales. Cash collateral received and reinvested was \$48.9 million and \$28.7 million as of September 30, 2020 and December 31, 2019, respectively.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Fixed-maturity securities (available-for-sale)	\$ 20,883	\$ 20,380	\$ 61,880	\$ 61,058
Fixed-maturity security (held-to-maturity)	14,704	12,769	42,250	35,212
Equity securities	433	448	1,345	1,381
Policy loans and other invested assets	242	234	973	854
Cash and cash equivalents	114	1,191	1,099	3,808
Total return on deposit asset underlying 10% coinsurance agreement ⁽¹⁾	2,858	2,639	1,962	11,130
Gross investment income	39,234	37,661	109,509	113,443
Investment expenses	(1,577)	(2,217)	(6,176)	(6,576)
Investment income net of investment expenses	37,657	35,444	103,333	106,867
Interest expense on surplus note	(14,704)	(12,769)	(42,250)	(35,212)
Net investment income	\$ 22,953	\$ 22,675	\$ 61,083	\$ 71,655

- (1) For the three and nine months ended September 30, 2020, included \$ 1.2 million and \$(2.9) million, respectively, of net gains (losses) recognized for the change in fair value of the deposit asset underlying the 10% coinsurance agreement. For the three and nine months ended September 30, 2019, included \$ 0.5 million and \$ 5.1 million, respectively, of net gains recognized for the change in fair value of the deposit asset underlying the 10% coinsurance agreement.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	<i>(In thousands)</i>			
Net realized investment gains (losses):				
Gross gains from sales of available-for-sale securities	\$ 632	\$ 523	\$ 1,816	\$ 994
Gross losses from sales of available-for-sale securities	(559)	(1)	(675)	(286)
Credit losses on available-for-sale securities	(23)	(1,064)	(4,269)	(1,225)
Net gains (losses) recognized in net income during the period on equity securities	573	813	(4,552)	4,692
Gains (losses) from bifurcated options	26	14	42	14
Gains (losses) on trading securities	(7)	-	(7)	11
Net realized investment gains (losses)	<u>\$ 642</u>	<u>\$ 285</u>	<u>\$ (7,645)</u>	<u>\$ 4,200</u>

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	<i>(In thousands)</i>			
Proceeds from sales or other redemptions	\$ 122,148	\$ 106,177	\$ 397,978	\$ 347,071

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	<i>(In thousands)</i>			
Net gains (losses) recognized in net income during the period on equity securities	\$ 573	\$ 813	\$ (4,552)	\$ 4,692
Less: Net gains (losses) recognized on equity securities sold	(59)	-	(250)	(254)
Net gains (losses) recognized in net income on equity securities still held as of period-end	<u>\$ 632</u>	<u>\$ 813</u>	<u>\$ (4,302)</u>	<u>\$ 4,946</u>

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

Credit Losses for Available-for-sale Fixed-maturity Securities. The Company adopted ASC 326 as of January 1, 2020, which maintains the fundamental incurred probable loss approach for measuring losses in the condensed consolidated statement of income. For an available-for-sale security with an amortized cost that exceeds its fair value, we first determine if we intend to sell or will more-likely-than-not be required to sell the security before the expected recovery of its amortized cost. If we intend to sell or will more-likely-than-not be required to sell the security, then we recognize the impairment as a credit loss in our condensed consolidated statements of income by writing down the security's amortized cost to its fair value. If we do not intend to sell or it is not more-likely-than-not that we will be required to sell the security before the expected recovery of its amortized cost, we recognize the portion of the impairment that is due to a credit loss, if any, in our condensed consolidated statement of income through an allowance. The portion of the impairment that is due to factors other than a credit loss is recognized in other comprehensive income in the condensed consolidated statement of comprehensive income as an unrealized loss. Credit losses recognized in the allowance for credit losses are reversed in situations where the estimate of credit losses on those securities has declined. When determining whether an impairment is due to a credit loss or other factors, we determine the extent to which we do not expect to recover the security's amortized cost and record such amount, if any, as a credit loss. Factors we consider in determining whether the security's decline in fair value is below amortized cost due to a credit loss include the magnitude of the security's decline in fair value below its amortized cost, the financial condition, long and near-term prospects for the issuer, industry conditions and trends, rating agency actions, the payment structure of the security, likelihood of the recoverability of principal and interest, and our ability and intent to hold the security for a period of time sufficient to allow for the anticipated recovery of its amortized cost. In assessing our ability and intent to hold the security for a period of time to allow for the anticipated recovery of its amortized cost, we also consider our anticipated sources of cash to fund operating activities and share repurchases. If we do not anticipate recovering a security's amortized cost basis, we estimate the present value of the security's expected cash flows and recognize the difference from amortized cost (using fair value as a floor) as a credit loss.

The following table summarize all AFS securities in an unrealized loss position for which an allowance for credit losses has not been recorded as of September 30, 2020, aggregated by major security type and length of time such securities have continuously been in an unrealized loss position:

	September 30, 2020			
	Less than 12 months		12 months or longer	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	<i>(Dollars in thousands)</i>			
Fixed-maturity securities:				
U.S. government and agencies	\$ 1,628	\$ (1)	\$ -	\$ -
Foreign government	4,255	(44)	-	-
States and political subdivisions	25,262	(452)	-	-
Corporates	177,198	(6,534)	8,820	(2,021)
Residential mortgage-backed securities	1,384	(29)	928	(24)
Commercial mortgage-backed securities	16,425	(375)	2,173	(16)
Other asset-backed securities	21,688	(975)	3,904	(97)
Total fixed-maturity securities	<u>\$ 247,840</u>	<u>\$ (8,410)</u>	<u>\$ 15,825</u>	<u>\$ (2,158)</u>

The amortized cost of available-for-sale fixed-maturity securities with a cost basis in excess of their fair values were \$74.2 million as of September 30, 2020.

As of September 30, 2020, we did not recognize credit losses in the condensed consolidated statement of income on available-for-sale securities with unrealized losses that were due to interest rate sensitivity and changes in credit spreads. We believe that fluctuations caused by movement in interest rates and credit spreads generally have little bearing on the recoverability of our investments. For those that remain in an unrealized loss position we have the ability to hold these investments until maturity or a market price recovery, and we have no present intention to dispose them.

For the three and nine months ended September 30, 2020, we recorded less than \$0.1 million and approximately \$4.3 million, respectively, for credit losses in the condensed consolidated statement of income on available-for-sale securities. For the three months ended September 30, 2020 none of the credit losses were recorded as an adjustment to the amortized cost basis due to our intent to sell securities. For the nine months ended September 30, 2020 approximately \$3.8 million of the credit losses were recorded as an adjustment to the amortized cost basis due to our intent to sell securities of specific issuers that operate in distressed industry sectors. We recognize credit losses on securities due to: our intent to sell them; adverse credit events, such as news of an impending filing for bankruptcy; analyses of the issuer's most recent financial statements or other information in which liquidity deficiencies, significant losses and large declines in capitalization were evident; and analyses of rating agency information for issuances with severe ratings downgrades that indicated a significant increase in the possibility of default. The remaining portion of credit losses was recognized in the allowance for credit losses.

The rollforward of the allowance for credit losses on available-for-sale securities for the three and nine months ended September 30, 2020 was as follows:

	Three months ended September 30,	Nine months ended September 30,
	<i>(In thousands)</i>	
Allowance for credit losses, beginning of period	\$ 465	\$ -
Additions to the allowance for credit losses on securities for which credit losses were not previously recorded	-	525
Additional increases or (decreases) to the allowance for credit losses on securities that had an allowance recorded in a previous period	23	(37)
Write-offs charged against the allowance, if any	(465)	(465)
Allowance for credit losses, end of period	<u>\$ 23</u>	<u>\$ 23</u>

Other-than-temporary Impairments (“OTTI”). For the three and nine months ended September 30, 2019, which preceded the adoption of ASC 326, we reviewed available-for-sale securities in an unrealized loss position 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 were considered in determining whether an unrealized loss is other-than-temporary. We recognized OTTI in the condensed consolidated statement of income for the impairment on available-for-sale securities that we intended to sell or would more-likely-than-not be required to sell before the expected recovery of the amortized cost basis. For available-for-sale securities that we had no intent to sell and believed that it was not more-likely-than-not we would be required to sell prior to recovery, only the credit loss component of OTTI was recognized in our condensed consolidated statement of income, while the remainder was recognized in other comprehensive income in the condensed consolidated statement of comprehensive income as an unrealized loss. The credit loss component of OTTI recognized in net income was 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 available-for-sale securities were recognized in other comprehensive income in the accompanying condensed consolidated statements of comprehensive income. Factors considered in determining whether an impairment was temporary include the length of time and extent to which fair value had been below cost; the financial condition and near-term prospects for the issuer, the payment structure of the security, and our ability and intent to hold the security for a period of time sufficient to allow for any anticipated recovery of its amortized cost. We also considered our anticipated sources of cash to fund operating activities and share repurchases when assessing our ability and intent to hold a security to allow for the recovery of its amortized cost basis in determining whether to recognize OTTI.

The following table summarizes all available-for-sale securities as of December 31, 2019 (prior to adoption of ASC 326), 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>	

The amortized cost of available-for-sale fixed-maturity securities with a cost basis in excess of their fair values was \$34.8 million as of December 31, 2019.

As of December 31, 2019, the unrealized losses on our available-for-sale security portfolio were largely caused by interest rate sensitivity and, to a lesser extent, changes in credit spreads. We believe that fluctuations caused by movement in interest rates and credit spreads have little bearing on the recoverability of our investments. We do not consider these investments to be other-than-temporarily impaired because we have the ability to hold these investments until maturity or a market price recovery, and we have no present intention to dispose of them.

OTTI recognized in earnings for available-for-sale securities for the three and nine months ended September 30, 2019 were as follows:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
	<i>(In thousands)</i>	
OTTI on fixed-maturity securities not in default	\$ 1,064	\$ 1,222
OTTI on fixed-maturity securities in default	-	3
Total OTTI recognized in earnings	<u>\$ 1,064</u>	<u>\$ 1,225</u>

OTTI recognized in earnings for available-for-sale securities for the three and nine months ended September 30, 2019 were as follows:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
<i>(In thousands)</i>		
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
Less portion of OTTI recognized in accumulated other comprehensive income (loss)	-	-
OTTI recognized in earnings for securities which the Company does not intend to sell or more-likely than-not will not be required to sell before recovery	-	3
OTTI recognized in earnings for securities which the Company intends to sell or more-likely-than-not will be required to sell before recovery	1,064	1,222
OTTI recognized in earnings	<u>\$ 1,064</u>	<u>\$ 1,225</u>

The rollforward of the OTTI recognized in net income for all fixed-maturity securities still held for the three and nine months ended September 30, 2019 was as follows:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
<i>(In thousands)</i>		
Cumulative OTTI recognized in net income for securities still held, beginning of period	\$ 2,407	\$ 2,511
Additions for securities where no OTTI were recognized prior to the beginning of the period	968	1,126
Additions for securities where OTTI have been recognized prior to the beginning of the period	96	99
Reductions due to sales, maturities, calls, amortization or increases in cash flows expected to be collected over the remaining life of credit-impaired securities	(209)	(474)
Reductions for exchanges of securities previously impaired	-	-
Cumulative OTTI recognized in net income for securities still held, end of period	<u>\$ 3,262</u>	<u>\$ 3,262</u>

As of December 31, 2019, no cumulative impairment losses have been recognized on the LLC Note held-to-maturity security.

Derivatives. We have a deferred loss related to closed forward contracts, which were settled several years ago, that were used to mitigate our exposure to foreign currency exchange rates that resulted from the net investment in our Canadian operations. The amount of deferred loss included in accumulated other comprehensive income was \$26.4 million as of September 30, 2020 and December 31, 2019. These deferred losses will not be recognized until such time as we sell or substantially liquidate our Canadian operations; although we have no such intention.

(4) Fair Value of Financial Instruments

Fair value is the price that would be received upon the sale of an asset 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:

September 30, 2020				
	Level 1	Level 2	Level 3	Total
<i>(In thousands)</i>				
Fair value assets:				
Available-for-sale fixed-maturity securities:				
U.S. government and agencies	\$ -	\$ 10,224	\$ -	\$ 10,224
Foreign government	-	172,950	-	172,950
States and political subdivisions	-	162,141	-	162,141
Corporates	5,687	1,598,388	-	1,604,075
Residential mortgage-backed securities	-	292,097	3,025	295,122
Commercial mortgage-backed securities	-	120,526	-	120,526
Other asset-backed securities	-	88,038	-	88,038
Total available-for-sale securities	5,687	2,444,364	3,025	2,453,076
Equity securities	32,644	1,038	174	33,856
Trading securities	-	13,470	-	13,470
Separate accounts	-	2,468,328	-	2,468,328
Total fair value assets	\$ 38,331	\$ 4,927,200	\$ 3,199	\$ 4,968,730
Fair value liabilities:				
Separate accounts	\$ -	\$ 2,468,328	\$ -	\$ 2,468,328
Total fair value liabilities	\$ -	\$ 2,468,328	\$ -	\$ 2,468,328

December 31, 2019				
	Level 1	Level 2	Level 3	Total
<i>(In thousands)</i>				
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 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

In estimating fair value of our investments, we use third-party pricing services for 94% of our securities that are measured at fair value on a recurring basis. The remaining securities are primarily thinly-traded securities, such as private placements, and are valued using models based on observable inputs on public corporate spreads having similar characteristics (e.g., sector, average life and quality rating), liquidity and yield based on quality rating, average life and U.S. Treasury yields. All observable data inputs are corroborated by independent third-party data. We also corroborate pricing information provided by our third-party pricing service by performing a review of selected securities. Our review activities include obtaining detailed information about the assumptions, inputs and methodologies used in pricing the security; documenting this information; and corroborating it by comparison to independently obtained prices and/or independently developed pricing methodologies.

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

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

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

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

	Three months ended September 30,		Nine months ended September 30, ⁽¹⁾	
	2020	2019	2020	2019
	<i>(In thousands)</i>			
Level 3 assets, beginning of period	\$ 5,268	\$ 1,026	\$ 585	\$ 921
Net unrealized gains (losses) included in other comprehensive income	-	(1)	2	(14)
Realized gains (losses) and accretion (amortization) recognized in earnings	(444)	(11)	(452)	(35)
Purchases	2,999	-	2,999	-
Settlements	(4,624)	(216)	(4,970)	(412)
Transfers into Level 3	-	-	5,035	836
Transfers out of Level 3	-	-	-	(498)
Level 3 assets, end of period	<u>\$ 3,199</u>	<u>\$ 798</u>	<u>\$ 3,199</u>	<u>\$ 798</u>

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

We obtain independent pricing quotes based on observable inputs as of the end of the reporting period for all securities in Level 2. Those inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, market bids/offers, quoted prices for similar instruments in markets that are not active, and other relevant data. We monitor these inputs for market indicators, industry and economic events. There were no material transfers between Level 1 and Level 3 during the three and nine months ended September 30, 2020 and 2019.

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

	September 30, 2020		December 31, 2019	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
<i>(In thousands)</i>				
Assets:				
Fixed-maturity securities (available-for-sale)	\$ 2,453,076	\$ 2,453,076	\$ 2,356,996	\$ 2,356,996
Fixed-maturity security (held-to-maturity) ⁽³⁾	1,323,740	1,563,352	1,184,370	1,299,102
Equity securities	33,856	33,856	40,684	40,684
Trading securities	13,470	13,470	43,233	43,233
Policy loans ⁽³⁾	30,605	30,605	32,927	32,927
Deposit asset underlying 10% coinsurance agreement ⁽³⁾	236,293	236,293	233,499	233,499
Separate accounts	2,468,328	2,468,328	2,485,745	2,485,745
Liabilities:				
Notes payable ⁽¹⁾ ⁽²⁾	\$ 374,320	399,942	\$ 374,037	\$ 395,522
Surplus note ⁽¹⁾ ⁽³⁾	1,323,146	1,551,330	1,183,728	1,296,972
Separate accounts	2,468,328	2,468,328	2,485,745	2,485,745

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

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

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

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

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

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

(5) Reinsurance

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

Details on in force life insurance were as follows:

	September 30, 2020	December 31, 2019
	<i>(Dollars in thousands)</i>	
Direct life insurance in force	\$ 842,842,940	\$ 810,995,295
Amounts ceded to other companies	(728,453,611)	(702,727,956)
Net life insurance in force	\$ 114,389,329	\$ 108,267,339
Percentage of reinsured life insurance in force	86 %	87 %

Benefits and claims ceded to reinsurers during the three and nine months ended September 30, 2020 were \$99.7 million and \$1,209.3 million, respectively, compared to \$321.5 million and \$981.5 million, respectively, for the three and nine months ended September 30, 2019.

Reinsurance recoverables as of September 30, 2020 and December 31, 2019 include ceded reserve balances, ceded claim liabilities, and ceded claims paid. Reinsurance recoverables and financial strength ratings by reinsurer were as follows:

	September 30, 2020		December 31, 2019	
	Reinsurance recoverables	A.M. Best rating	Reinsurance recoverables	A.M. Best rating
	<i>(In thousands)</i>			
Pecan Re Inc. (1) (2)	\$ 2,670,796	N/R	\$ 2,696,924	NR
SCOR Global Life Reinsurance Companies (3)	377,723	A+	352,049	A+
Munich Re of Malta (2) (5)	272,995	N/R	286,433	NR
Swiss Re Life & Health America Inc. (4)	238,367	A+	233,572	A+
American Health and Life Insurance Company (2)	164,540	B++	167,471	B++
Munich American Reassurance Company	131,762	A+	118,372	A+
RGA Reinsurance	118,766	A+	100,328	A+
Korean Reinsurance Company	118,640	A	108,410	A
Hannover Life Reassurance Company	39,820	A+	33,772	A+
TOA Reinsurance Company	37,053	A	26,160	A
All other reinsurers	64,220	-	48,679	-
Allowance for credit losses	(5,594)		(2,347)	
Reinsurance recoverables	<u>\$ 4,229,088</u>		<u>\$ 4,169,823</u>	

NR – not rated

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

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

(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.

Upon the adoption of ASC 326, we estimate and recognize lifetime expected credit losses for reinsurance recoverables. In estimating the allowance for expected credit losses for reinsurance recoverables, we factor in the underlying collateral for reinsurance agreements where available. Specifically, for reinsurers with underlying trust assets, we compare the reinsurance recoverables balance to the underlying trust assets that mitigate the potential exposure to credit losses. We also analyze the financial condition of the reinsurers, as determined by third-party rating agencies, to determine the probability of default for the reinsurers. We then utilize a third-party credit default study to calculate an expected credit loss given default rate or recovery rate. The probability of default and loss given default rates are then applied to the reinsurers' recoverable balance, while also factoring in any third-party letters of credit that support the reinsurance agreement, in order to calculate our current expected credit loss allowance.

The rollforward of the allowance for credit losses on reinsurance recoverables for the three and nine months ended September 30, 2020 was as follows:

	Three months ended		Nine months ended	
	September, 2020		September 30, 2020	
	<i>(In thousands)</i>			
Balance, beginning of period (1)	\$	5,602	\$	3,917
Current period provision for expected credit losses		-		1,685
Less: Recoveries from expected credit losses previously recorded		(8)		(8)
Balance, at the end of period	<u>\$</u>	<u>5,594</u>	<u>\$</u>	<u>5,594</u>

(1) The beginning balance for the nine months ended September 30, 2020 reflects the adjustment made to the allowance for credit losses balance for the adoption of ASC 326 on January 1, 2020.

Prior to the adoption of ASC 326, credit losses on reinsurance recoverables were recognized based on an incurred loss model that recognized credit losses if probable and reasonably estimable. We recognized \$0.7 million of credit losses under the incurred loss model during the three and nine months ended September 30, 2019.

(6) Policy Claims and Other Benefits Payable

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

	Nine months ended September 30,	
	2020	2019
	<i>(In thousands)</i>	
Policy claims and other benefits payable, beginning of period	\$ 339,954	\$ 313,862
Less reinsured policy claims and other benefits payable	388,797	318,653
Net balance, beginning of period	(48,843)	(4,791)
Incurred related to current year	171,485	139,794
Incurred related to prior years (1)	(4,145)	(991)
Total incurred	167,340	138,803
Claims paid related to current year, net of reinsured policy claims received	(208,117)	(201,858)
Reinsured policy claims received related to prior years, net of claims paid	60,355	13,159
Total paid	(147,762)	(188,699)
Foreign currency translation	(165)	216
Net balance, end of period	(29,430)	(54,471)
Add reinsured policy claims and other benefits payable	497,039	371,007
Balance, end of period	<u>\$ 467,609</u>	<u>\$ 316,536</u>

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

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

(7) Stockholders' Equity

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

	Nine months ended September 30,	
	2020	2019
	<i>(In thousands)</i>	
Common stock, beginning of period	\$ 41,207	\$ 42,694
Shares issued for stock options exercised	-	-
Shares of common stock issued upon lapse of restricted stock units ("RSUs")	287	377
Common stock retired	(2,120)	(1,579)
Common stock, end of period	<u>\$ 39,374</u>	<u>\$ 41,492</u>

The above reconciliation excludes RSUs and performance-based stock units ("PSUs"), which do not have voting rights. As sales restrictions on RSUs lapse and PSUs are earned, we issue common shares with voting rights. As of September 30, 2020, we had a total of 310,768 RSUs and 81,796 PSUs outstanding. The PSU outstanding balance is based on the number of PSUs granted pursuant to the award agreements; however, the actual number of common shares issued could be higher or lower based on actual versus targeted performance. See Note 9 (Share-Based Transactions) for discussion of the PSU award structure.

On February 7, 2019, our Board of Directors authorized a share repurchase program for up to \$75.0 million of our outstanding common stock through June 30, 2020. 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 that remained from the prior repurchase program) for purchases through June 30, 2021. Under these share repurchase programs, we repurchased 2,068,826 shares of our common stock in the open market for an aggregate purchase price of \$218.1 million through September 30, 2020. Approximately \$81.9 million remains available for repurchases of our outstanding common stock under the share repurchase program as of September 30, 2020.

(8) Earnings Per Share

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

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

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

We determine the potential dilutive effect of PSUs and stock options outstanding ("contingently-issuable shares") on EPS using the treasury-stock method. Under this method, we determine the proceeds that would be received from the issuance of the contingently-

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

The calculation of basic and diluted EPS was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<i>(In thousands, except per-share amounts)</i>				
Basic EPS:				
Numerator:				
Net income	\$ 112,101	\$ 96,223	\$ 286,080	\$ 272,834
Income attributable to unvested participating securities	(493)	(415)	(1,239)	(1,251)
Net income used in calculating basic EPS	\$ 111,608	\$ 95,808	\$ 284,841	\$ 271,583
Denominator:				
Weighted-average vested shares	39,588	41,964	40,281	42,420
Basic EPS	\$ 2.82	\$ 2.28	\$ 7.07	\$ 6.40
Diluted EPS:				
Numerator:				
Net income	\$ 112,101	\$ 96,223	\$ 286,080	\$ 272,834
Income attributable to unvested participating securities	(492)	(413)	(1,236)	(1,248)
Net income used in calculating diluted EPS	\$ 111,609	\$ 95,810	\$ 284,844	\$ 271,586
Denominator:				
Weighted-average vested shares	39,588	41,964	40,281	42,420
Dilutive effect of incremental shares to be issued for contingently-issuable shares	122	136	115	130
Weighted-average shares used in calculating diluted EPS	39,710	42,100	40,396	42,550
Diluted EPS	\$ 2.81	\$ 2.28	\$ 7.05	\$ 6.38

(9) Share-Based Transactions

The Company has outstanding equity awards under the Primerica, Inc. Second Amended and Restated 2010 Omnibus Incentive Plan ("2010 OIP") and the Primerica, Inc. 2020 Omnibus Incentive Plan ("2020 OIP"), which was approved by the Company's stockholders on May 13, 2020 following the expiration of the 2010 OIP in accordance with its terms. No future awards will be made under the 2010 OIP. The 2020 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 2020 OIP may also be subject to specified performance criteria. Under the 2010 OIP, the Company issued equity awards to our management (officers and other key employees), non-employees who served on our Board of Directors, and sales force leaders. For more information on equity awards granted under the 2010 OIP, see Note 14 (Share-Based Transactions) to our consolidated financial statements within our 2019 Annual Report. Under the 2020 OIP, the Company has issued equity awards to non-employees who serve on our Board of Directors and sales force leaders and it will issue future equity awards to management.

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

The impacts of equity awards granted are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<i>(In thousands)</i>				
Equity awards expense recognized	\$ 2,219	\$ 2,070	\$ 15,737	\$ 15,056
Equity awards expense deferred	2,542	2,457	7,501	7,398

On February 26, 2020, the Compensation Committee of our Board of Directors granted the following equity awards to employees as part of the annual approval of management incentive compensation:

- 81,848 RSUs awarded to management with a measurement-date fair value of \$121.42 per unit that have time-based vesting requirements with equal and annual graded vesting over approximately three years subsequent to the grant date.
- 25,734 PSUs awarded under the 2010 OIP to our four top executives with a measurement-date fair value of \$121.42 per unit. The PSUs will be earned on March 1, 2023 contingent upon the Company achieving a targeted annual average three-year return on adjusted equity (“ROAE”) and average EPS growth for the period from January 1, 2020 through December 31, 2022. The actual number of common shares that will be issued will vary based on the actual ROAE and average EPS growth relative to the targeted ROAE and average EPS growth and can range from zero to 38,601 shares.

All awards granted to employees on February 26, 2020 vest upon voluntary termination of employment by any employee who is “retirement eligible” as of his or her termination date. In order to be retirement eligible, an employee must be at least 55 years old and his or her age plus years of service with the Company must equal at least 75. The number of PSUs that will ultimately be issued for a retirement eligible employee is equal to the amount calculated using the Company’s actual cumulative three-year ROAE and average EPS growth, if applicable, for the relevant performance period ending on December 31, 2022, even if that employee retires prior to the completion of the three-year performance period.

(10) Commitments and Contingent Liabilities

Letter of Credit (“LOC”). Peach Re maintains a credit facility agreement with Deutsche Bank (the “Credit Facility Agreement”) to support certain obligations for a portion of the Regulation XXX reserves related to the Peach Re Coinsurance Agreement. Under the Credit Facility Agreement, Deutsche Bank issued a letter of credit for the benefit of Primerica Life with a term expiring on December 31, 2025. As of September 30, 2020, the amount of the LOC outstanding was \$218.4 million. This amount will decline over the remaining term of the LOC to correspond with declines in the Regulation XXX reserves. As of September 30, 2020, the Company was in compliance with all financial covenants under the Credit Facility Agreement.

Further discussion on the Company’s letter of credit is included in Note 16 (Commitments and Contingent Liabilities) to our consolidated financial statements within our 2019 Annual Report.

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

(11) Other Comprehensive Income

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	<i>(In thousands)</i>			
Foreign currency translation adjustments:				
Change in unrealized foreign currency translation gains (losses) before income taxes	\$ 6,312	\$ (4,009)	\$ (9,055)	\$ 8,799
Income tax expense (benefit) on unrealized foreign currency translation gains (losses)	-	-	-	-
Change in unrealized foreign currency translation gains (losses), net of income taxes	\$ 6,312	\$ (4,009)	\$ (9,055)	\$ 8,799
Unrealized gain (losses) on available-for-sale securities:				
Change in unrealized holding gains (losses) arising during period before income taxes	\$ 15,347	\$ 12,304	\$ 49,624	\$ 93,329
Income tax expense (benefit) on unrealized holding gains (losses) arising during period	3,276	2,582	10,900	19,991
Change in unrealized holding gains (losses) on available-for-sale securities arising during period, net of income taxes	12,071	9,722	38,724	73,338
Reclassification from accumulated OCI to net income for (gains) losses realized on available-for-sale securities	(50)	542	3,128	517
Income tax (expense) benefit on (gains) losses reclassified from accumulated OCI to net income	(11)	114	657	109
Reclassification from accumulated OCI to net income for (gains) losses realized on available-for-sale securities, net of income taxes	(39)	428	2,471	408
Change in unrealized gains (losses) on available-for-sale securities, net of income taxes and reclassification adjustment	\$ 12,032	\$ 10,150	\$ 41,195	\$ 73,746

(12) Debt

Notes Payable. As of September 30, 2020, the Company had \$375.0 million of publicly-traded, senior unsecured notes (the “Senior Notes”), with an annual interest rate of 4.75% that are scheduled to mature on July 15, 2022. As of September 30, 2020, we were in compliance with the covenants of the Senior Notes. No events of default occurred on the Senior Notes during the three or nine months ended September 30, 2020.

Further discussion on the Company’s Senior Notes is included in Note 10 (Debt) to our consolidated financial statements within our 2019 Annual Report.

Surplus Note. As of September 30, 2020, the principal amount outstanding on the Surplus Note issued by Vidalia Re was \$3 billion, which is equal to the principal amount of the LLC Note. The principal amount of both the Surplus Note and the LLC Note will fluctuate over time to coincide with the amount of policy reserves being contractually supported under the Vidalia Re Coinsurance Agreement. Both the LLC Note and the Surplus Note mature on December 31, 2030 and bear interest at an annual interest rate of 4.50%. Based on the estimated reserves for policies issued in 2011 through 2017 that have been ceded under the Vidalia Re Coinsurance Agreement, the principal amounts of the Surplus Note and the LLC Note are expected to reach \$1.5 billion each. This financing arrangement is non-recourse to the Parent Company and Primerica Life, meaning that neither of these companies has guaranteed the Surplus Note or is otherwise liable for reimbursement for any payments triggered by the LLC Note’s credit enhancement feature. The Parent Company has agreed to support Vidalia Re’s obligation to pay the credit enhancement fee incurred on the LLC Note.

Further discussion on the Company’s Surplus Note and LLC Note are included in Note 10 (Debt) and Note 4 (Investments) to our consolidated financial statements within our 2019 Annual Report.

Revolving Credit Facility. We maintain an unsecured \$200.0 million revolving credit facility (“Revolving Credit Facility”) with a syndicate of commercial banks that has a scheduled termination date of December 19, 2022. Amounts outstanding under the Revolving Credit Facility bear interest at a periodic rate equal to LIBOR or the base rate, plus in either case an applicable margin. The Revolving Credit Facility 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 September 30, 2020, no amounts have been drawn under the Revolving Credit Facility and we were in compliance with its covenants. Furthermore, no events of default occurred under the Revolving Credit Facility during the three or nine months ended September 30, 2020.

(13) Revenue from Contracts with Customers

Our revenues from contracts with customers primarily include:

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

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

Further discussion on the Company’s revenues from contracts with customers and revenue recognition policies are included in Note 18 (Revenue from Contracts with Customers) to our consolidated financial statements within our 2019 Annual Report.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<i>(In thousands)</i>				
Term Life Insurance segment revenues:				
Other, net	\$ 12,717	\$ 10,985	\$ 34,311	\$ 30,785
Total segment revenues from contracts with customers	12,717	10,985	34,311	30,785
Revenues from sources other than contracts with customers	345,082	303,542	979,467	877,454
Total Term Life Insurance segment revenues	<u>\$ 357,799</u>	<u>\$ 314,527</u>	<u>\$ 1,013,778</u>	<u>\$ 908,239</u>
Investment and Savings Products segment revenues:				
Commissions and fees				
Sales-based revenues	\$ 65,600	\$ 69,034	\$ 209,304	\$ 207,469
Asset-based revenues	71,970	66,289	203,629	190,997
Account-based revenues	21,008	20,449	61,690	59,958
Other, net	3,034	2,661	8,322	7,517
Total segment revenues from contracts with customers	161,612	158,433	482,945	465,941
Revenues from sources other than contracts with customers (segregated funds)	14,725	14,720	42,606	42,968
Total Investment and Savings Products segment revenues	<u>\$ 176,337</u>	<u>\$ 173,153</u>	<u>\$ 525,551</u>	<u>\$ 508,909</u>
Corporate and Other Distributed Products segment revenues:				
Commissions and fees (1)	\$ 11,999	\$ 9,227	\$ 29,930	\$ 24,110
Other, net	923	1,052	2,742	3,444
Total segment revenues from contracts with customers	12,922	10,279	32,672	27,554
Revenues from sources other than contracts with customers	21,403	22,694	47,212	75,843
Total Corporate and Other Distributed Products segment revenues	<u>\$ 34,325</u>	<u>\$ 32,973</u>	<u>\$ 79,884</u>	<u>\$ 103,397</u>

(1) Commissions and fees for the three and nine months ended September 30, 2020 included \$1.3 million and \$3.9 million, respectively, and for the three and nine months ended September 30, 2019 included \$1.7 million and \$4.2 million, respectively, attributable to performance obligations satisfied in a previous reporting period and represent the collection of variable consideration in the transaction price that had been previously constrained.

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

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

Activity in the contract asset account was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<i>(In thousands)</i>				
Balance, beginning of period	\$ 52,523	\$ 50,467	\$ 51,701	\$ 50,119
Current period sales, net of collection of renewal commissions	1,039	1,207	1,861	1,555
Balance, at the end of period	<u>\$ 53,562</u>	<u>\$ 51,674</u>	<u>\$ 53,562</u>	<u>\$ 51,674</u>

No significant estimate adjustments were made to the contract asset and no impairment losses were recognized on the contract asset during the three and nine months ended September 30, 2020 and September 30, 2019.

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to inform the reader about matters affecting the financial condition and results of operations of Primerica, Inc. (the "Parent Company") and its subsidiaries (collectively, "we", "us" or the "Company") for the period from December 31, 2019 to September 30, 2020. As a result, the following discussion should be read in conjunction with MD&A and the consolidated financial statements and notes thereto that are included in our Annual Report on Form 10-K for the year ended December 31, 2019 ("2019 Annual Report"). This discussion contains forward-looking statements that constitute our plans, estimates and beliefs. These forward-looking statements involve numerous risks and uncertainties, including, but not limited to, those discussed under the heading "Risk Factors" in the 2019 Annual Report and in Item 1A of this Report. Actual results may differ materially from those contained in any forward-looking statements.

This MD&A is divided into the following sections:

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

Business Overview

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

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

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

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

Business Trends and Conditions

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

customers' perception of the strength of the capital markets may influence their decisions to invest in the investment and savings products we distribute

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

During the nine months ended September 30, 2020, market conditions changed rapidly due to the impact of the Coronavirus ("COVID-19") pandemic. Measures taken to combat the spread of COVID-19 led to economic uncertainty and market volatility in the United States and Canada that will continue to impact our business for an uncertain period of time. To date, this economic decline, partial recovery and continued uncertainty have resulted in elevated unemployment rates, lower household income, sharp fluctuations in consumer spending, and historic levels of government stimulus. In addition, market volatility has led to large fluctuations in the fair value of securities held in our invested asset portfolio. The impact on our operating results for the nine months ended September 30, 2020 caused by the spread of COVID-19 is discussed in more detail later in this section, the Results of Operations section, and the Financial Condition section.

Due to the evolving and uncertain nature of this event, it currently is not possible to estimate the impact the COVID-19 pandemic will have on our business in future periods. However, we believe the effect of COVID-19 will continue to create uncertainty in the following business trends and conditions:

- The ability of new recruits to obtain the requisite licenses to sell our products has been and will likely continue to be limited by the availability of licensing jurisdictions to administer exams and maintain licensing operations. We have and will continue to experience an increase in mortality expense due to premature deaths of our insureds caused by the COVID-19 disease. The ultimate mortality expense due to COVID-19 is unknown. Any increase in mortality expense will be mitigated by reinsurance as we have ceded a significant majority of our mortality risk to reinsurers we believe to be creditworthy.
- To date, the impact of COVID-19 has led to historically high levels of persistency throughout all policy durations and increased policy sales as a result of strong public sentiment towards owning life insurance products. It is unknown how long these trends will continue and to what extent persistency levels and policy sales will normalize as the current fear associated with the COVID-19 pandemic subsides. Also, the prolonged impact of elevated unemployment and lower household income may cause deterioration in persistency of existing term life insurance policies. Refer to the Factors Affecting Our Results section for more information about how lower persistency impacts our financial results.
- Volatility in equity markets hampers demand for the investments and savings products we distribute. This dynamic leads to decreased cash flows earned in the form of upfront sales-based revenue and lower earnings of asset-based trail commissions earned from average client asset values.

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

Size of the Independent Sales Force.

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

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

	September 30, 2020	June 30, 2020
Life-licensed sales representatives	136,306	134,157

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
New recruits	101,861	72,345	319,746	221,741
New life-licensed sales representatives	13,138	12,682	35,987	33,666

New recruits increased during the three and nine months ended September 30, 2020 compared to the same period in 2019 due to positive recruiting momentum at the onset of the COVID-19 pandemic combined with the effect of offering discounted business application fees during the period. The discounted fees began in March 2020 and were extended through the end of July 2020. After the discounted fee offering expired, recruiting momentum remained strong through September 2020. The number of new life-licensed sales representative increased during 2020 but faced challenges presented by the COVID-19 pandemic that included the suspensions

of live licensing preparation classes and the closing of licensing examination centers. In order to address these challenges, we have enhanced current incentive programs that encourage recruits to complete the licensing process, expanded the reach of online offerings for licensing exam preparation and facilitated the use of remote testing where offered. As examination centers have reopened, we have noted delays in available testing dates due to the back log that accumulated during COVID-19 related closures. In addition, many states have begun issuing temporary licenses until the full licensing process can be completed. As of September 30, 2020, the Company had 136,306 independent life-licensed representatives, including 5,200 individuals with COVID-19 temporary licenses of which we expect approximately 40% to convert to permanent licenses. The total also included 4,500 licenses with extended renewal dates of which we estimate 40% will be renewed.

Term Life Insurance Product Sales and Face Amount In Force.

The average number of life-licensed sales representatives and the number of term life insurance policies issued, as well as the average monthly rate of new policies issued per life-licensed sales representative (historically between 0.18 and 0.22), were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Average number of life-licensed sales representatives	135,083	130,200	132,275	130,206
Number of new policies issued	100,199	73,434	265,561	216,340
Average monthly rate of new policies issued per life-licensed sales representative	0.25	0.19	0.22	0.18

New policies issued during the three and nine months ended September 30, 2020 increased significantly compared to the same periods in 2019 as a result of continued favorable public sentiment for protection products in response to the COVID-19 pandemic. The ability of life-licensed representatives to adapt to the use of virtual communication tools, when combined with extensive point-of-sales technologies and existing products, allowed them to readily meet our client's needs. These factors drove productivity for the three months ended September 30, 2020 higher than the historic range. While current period sales of new policies were strong, the effect of continued weakness in household income caused by the COVID-19 pandemic and a change in public sentiment that is less favorable to protection products following the pandemic could adversely impact sales in future periods.

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

	Three months ended September 30,				Nine months ended September 30,			
	2020	% of beginning balance	2019	% of beginning balance	2020	% of beginning balance	2019	% of beginning balance
<i>(Dollars in millions)</i>								
Face amount in force, beginning of period	\$ 821,998		\$ 796,376		\$ 808,262		\$ 781,041	
Net change in face amount:								
Issued face amount	30,104	4 %	24,087	3 %	81,079	10 %	70,312	9 %
Terminations	(13,733)	(2) %	(17,740)	(2) %	(46,343)	(6) %	(52,635)	(7) %
Foreign currency	1,858	*	(1,229)	*	(2,771)	*	2,776	*
Net change in face amount	18,229	2 %	5,118	1 %	31,965	4 %	20,453	3 %
Face amount in force, end of period	<u>\$ 840,227</u>		<u>\$ 801,494</u>		<u>\$ 840,227</u>		<u>\$ 801,494</u>	

* Less than 1%.

The face amount of term life policies in force increased 2% and 4% for the three and nine months ended September 30, 2020, respectively, as the level of face amount issued continued to exceed the face amount terminated. As a percentage of the beginning face amount in force, issued face amount increased while terminated face amount decreased, highlighting the strong demand for both buying and maintaining protection products during the three and nine months ended September 30, 2020.

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

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

	Three months ended September 30,				Nine months ended September 30,			
	2020	2019	Change		2020	2019	Change	
			\$	%			\$	%
<i>(Dollars in millions)</i>								
Product sales:								
Retail mutual funds	\$ 1,064	\$ 1,015	\$ 49	5%	\$ 3,189	\$ 3,025	\$ 164	5%
Annuities and other	469	588	(119)	(20)%	1,631	1,736	(105)	(6)%
Total sales-based revenue generating product sales	1,533	1,603	(70)	(4)%	4,820	4,761	59	1%
Managed investments	223	177	46	26%	669	542	127	23%
Segregated funds and other	85	76	9	12%	284	247	37	15%
Total product sales	\$ 1,841	\$ 1,856	\$ (15)	(1)%	\$ 5,773	\$ 5,550	\$ 223	4%
Average client asset values:								
Retail mutual funds	\$ 43,729	\$ 40,512	\$ 3,217	8%	\$ 41,177	\$ 39,236	\$ 1,941	5%
Annuities and other	20,997	19,410	1,587	8%	19,998	18,901	1,097	6%
Managed investments	4,325	3,652	673	18%	4,034	3,450	584	17%
Segregated funds	2,461	2,428	33	1%	2,373	2,373	-	*
Total average client asset values	\$ 71,512	\$ 66,002	\$ 5,510	8%	\$ 67,582	\$ 63,960	\$ 3,622	6%

* Less than 1%.

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

	Three months ended September 30,				Nine months ended September 30,			
	2020	% of beginning balance	2019	% of beginning balance	2020	% of beginning balance	2019	% of beginning balance
<i>(Dollars in millions)</i>								
Asset values, beginning of period	\$ 68,224		\$ 65,878		\$ 70,537		\$ 57,704	
Net change in asset values:								
Inflows	1,841	3%	1,856	3%	5,773	8%	5,550	10%
Redemptions	(1,334)	(2)%	(1,670)	(3)%	(4,110)	(6)%	(4,832)	(8)%
Net flows	507	1%	186	*	1,663	2%	718	1%
Change in fair value, net	3,669	5%	294	*	776	1%	7,510	13%
Foreign currency, net	206	*	(136)	*	(370)	(1)%	290	1%
Net change in asset values	4,382	6%	344	1%	2,069	3%	8,518	15%
Asset values, end of period	\$ 72,606		\$ 66,222		\$ 72,606		\$ 66,222	

* Less than 1%.

Average number of fee-generating positions was as follows:

	Three months ended September 30,				Nine months ended September 30,			
	2020	2019	Change		2020	2019	Change	
			Positions	%			Positions	%
<i>(Positions in thousands)</i>								
Average number of fee-generating positions (1):								
Recordkeeping and custodial	2,072	2,007	65	3%	2,050	2,000	50	3%
Recordkeeping only	685	646	39	6%	672	642	30	5%
Total average number of fee-generating positions	2,757	2,653	102	4%	2,722	2,642	80	3%

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

Changes in Investment and Savings Products Sales, Asset Values and Accounts/Positions During the Three Months Ended September 30, 2020

Product sales. Investment and savings products sales decreased slightly during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 led by lower sales of fixed and variable annuity products, which have experienced lower demand as product providers offer less attractive benefits due to the historically low interest rate environment. This was partially offset by an increase in retail mutual funds and managed investments sales as investors resumed discretionary investing during the three months ended September 30, 2020 as market conditions continued to recover from the March 2020 lows.

Average client asset values. The continued equity market recovery following the significant decline in the value of client assets in the first half of 2020 stemming from market reaction and economic uncertainty associated with the COVID-19 pandemic led to an increase in average client assets values for the three months ended September 30, 2019 compared to the three months ended September 30, 2019.

Rollforward of client asset values. The increase in client asset values for the three months ended September 30, 2020 compared to the three months ended September 30, 2019 was primarily due to the continued recovery in the value of client assets from the depressed position in the first half of 2020. Positive net flows also contributed to the increase in client asset values year-over-year mainly attributable to lower redemption activity in 2020 as clients opted to hold investments in the face of market volatility.

Average number of fee-generating positions. The average number of fee-generating positions increased during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 primarily due to the cumulative effect of retail mutual fund sales in recent periods that led to an increase in the number of retail mutual fund positions serviced on our transfer agent recordkeeping platform.

Changes in Investment and Savings Products Sales, Asset Values and Accounts/Positions During the Nine Months Ended September 30, 2020

Product sales. Investment and savings products sales increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 due to a combination of strong demand for mutual funds and, to a lesser degree, higher sales of managed accounts as a result of continued equity market recovery following the negative market reaction to the COVID-19 pandemic in early 2020. This was partially offset by lower sales of fixed and variable annuity products, which have experienced lower demand as product providers offer less attractive benefits due to the historically low interest rate environment.

Average client asset values. Average client asset values increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 primarily due to market appreciation between the periods and continued positive net flows, partially offset by poor market performance at the end of the first quarter as a result of the market reaction and economic uncertainty associated with the COVID-19 pandemic.

Rollforward of client asset values. Client asset values increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 largely attributable to lower redemption activity in 2020 as clients opted to hold investments in the face of market volatility. Also contributing to the increase was the continued recovery in the value of client assets from the depressed position in the first half of 2020.

Average number of fee-generating positions. The average number of fee-generating positions increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 primarily due to the same factor impacting average number of fee-generating positions as discussed above in the three-month comparison.

Other business trends and conditions.

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 made 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, the SEC Rulemaking has not caused significant disruption to our business.

In June 2020, the Department of Labor (“DOL”) issued a technical amendment to conform the text of the Code of Federal Regulations to a 2018 decision by the U.S. Court of Appeals for the 5th Circuit. That decision vacated the DOL’s 2016 fiduciary rule, which had the effect of reinstating the previous text, including the 1975 regulation and its five-part test for defining an investment-advice fiduciary. Investment advice fiduciaries are subject to the fiduciary duties imposed by Title I of Employee Retirement Income Security Act (“ERISA”) as well as the prohibited transaction provisions in Title I of ERISA and Section 4975 of the Internal Revenue Code. Concurrently, the DOL proposed a new prohibited transaction exemption (“PTE”) that would allow investment advice fiduciaries to receive compensation that otherwise would be prohibited if its terms and standards of care are met. The best interest standard in the proposed PTE is aligned with the conduct standards in Reg BI. In the proposed PTE’s preamble, the DOL revoked its interpretation regarding rollovers that was set forth in Advisory Opinion 2005-23A (the Deseret Letter) and set forth its views on when advice to roll over employee benefit plan assets to an Individual Retirement Account (IRA) could be considered fiduciary investment advice under ERISA and the Code, potentially necessitating use of the proposed PTE for rollover advice. We cannot quantify the financial impact, if any, of any changes to our business that may be necessary in order to comply with the proposed regulation, should it become final in its current form.

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.

Restriction on compensation models in Canada. 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 effective June 1, 2022 (“DSC Ban”). 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 effective June 1, 2022 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. 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

Refer to the Business Trends and Conditions section for discussion of the potential impact on our business from the COVID-19 pandemic.

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, mortgage originations, and other financial products, all of which are originated by third parties. Our Corporate and Other Distributed Products segment also includes in-force policies from several discontinued lines of insurance underwritten by NBLIC.

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

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

Capital Structure. Our financial results are affected by our capital structure, which includes our senior unsecured notes (the "Senior Notes"), redundant reserve financing transactions, our revolving credit facility, and our common stock. See Note 7 (Stockholders' Equity), Note 10 (Commitments and Contingent Liabilities), and Note 12 (Debt) to our unaudited condensed consolidated financial statements included elsewhere in this report for more information on changes in our capital structure.

Foreign Currency. The Canadian dollar is the functional currency for our Canadian subsidiaries and our consolidated financial results, reported in U.S. dollars, are affected by changes in the currency exchange rate. As such, the translated amount of revenues, expenses, assets and liabilities attributable to our Canadian subsidiaries will be higher or lower in periods where the Canadian dollar appreciates or weakens relative to the U.S. dollar, respectively. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Canadian Currency Risk included in our 2019 Annual Report and Note 2 (Segment and Geographical Information) to our unaudited condensed consolidated financial statements included elsewhere in this report for more information on our Canadian subsidiaries and the impact of foreign currency on our financial results.

Critical Accounting Estimates

We prepare our financial statements in accordance with U.S. GAAP. These principles are established primarily by the Financial Accounting Standards Board. The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions based on currently available information when recording transactions resulting from business operations. Our significant accounting policies are described in Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies) to our consolidated financial statements included in our 2019 Annual Report. The most significant items on our condensed consolidated balance sheets are based on fair value determinations, accounting estimates and actuarial determinations, which are susceptible to changes in future periods and could affect our results of operations and financial position.

The estimates that we deem to be most critical to an understanding of our results of operations and financial position are those related to DAC, future policy benefit reserves and corresponding amounts recoverable from reinsurers, income taxes, and the valuation of investments. The preparation and evaluation of these critical accounting estimates involve the use of various assumptions developed

from management's analyses and judgments. Subsequent experience or use of other assumptions could produce significantly different results.

Accounting Policy Changes. On January 1, 2020, the Company adopted 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 condensed consolidated 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 still recognize the impairment in our condensed consolidated 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 condensed consolidated statements of income through an allowance. We are 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 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 adoption of ASC 326 has not resulted in any material changes to impairment losses recognized in our condensed consolidated statements of income for available-for-sale securities.

During the three and nine months ended September 30, 2020, there were no changes in the accounting methodology for items that we have identified as critical accounting estimates. For additional information regarding our critical accounting estimates, see the Critical Accounting Estimates section of MD&A included in our 2019 Annual Report.

Results of Operations

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

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2020	2019	\$	%	2020	2019	\$	%
<i>(Dollars in thousands)</i>								
Revenues:								
Direct premiums	\$ 736,606	\$ 692,258	\$ 44,348	6%	\$ 2,156,331	\$ 2,056,806	\$ 99,525	5%
Ceded premiums	(393,716)	(388,982)	4,734	1%	(1,183,090)	(1,179,364)	3,726	*
Net premiums	342,890	303,276	39,614	13%	973,241	877,442	95,799	11%
Commissions and fees	185,302	179,719	5,583	3%	547,159	525,502	21,657	4%
Investment income net of investment expenses	37,657	35,444	2,213	6%	103,333	106,867	(3,534)	(3)%
Interest expense on surplus note	(14,704)	(12,769)	1,935	15%	(42,250)	(35,212)	7,038	20%
Net investment income	22,953	22,675	278	1%	61,083	71,655	(10,572)	(15)%
Realized investment gains (losses)	642	285	357	*	(7,645)	4,200	(11,845)	*
Other, net	16,674	14,698	1,976	13%	45,375	41,746	3,629	9%
Total revenues	568,461	520,653	47,808	9%	1,619,213	1,520,545	98,668	6%
Benefits and expenses:								
Benefits and claims	160,166	128,684	31,482	24%	434,625	366,036	68,589	19%
Amortization of DAC	47,491	63,883	(16,392)	(26)%	170,979	187,273	(16,294)	(9)%
Sales commissions	91,950	89,061	2,889	3%	274,049	262,960	11,089	4%
Insurance expenses	46,109	44,854	1,255	3%	138,572	132,825	5,747	4%
Insurance commissions	9,694	6,980	2,714	39%	22,871	18,427	4,444	24%
Interest expense	7,221	7,209	12	*	21,614	21,589	25	*
Other operating expenses	59,347	54,843	4,504	8%	181,413	176,468	4,945	3%
Total benefits and expenses	421,978	395,514	26,464	7%	1,244,123	1,165,578	78,545	7%
Income before income taxes	146,483	125,139	21,344	17%	375,090	354,967	20,123	6%
Income taxes	34,382	28,916	5,466	19%	89,010	82,133	6,877	8%
Net income	\$ 112,101	\$ 96,223	\$ 15,878	17%	\$ 286,080	\$ 272,834	\$ 13,246	5%

* Less than 1% or not meaningful.

Results for the Three Months Ended September 30, 2020

Total revenues. Total revenues increased during the three months ended September 30, 2020 compared to the same period in 2019 driven by incremental premiums on term life insurance policies that are not subject to the IPO coinsurance transactions. Also contributing to the increase were strong sales of life insurance and significant positive persistency experienced across all policy durations as a result of favorable public sentiment for protection products in response to the COVID-19 pandemic. Commissions and fees earned during the three months ended September 30, 2020 compared to the same period in 2019 increased largely due to a growth

in asset-based revenues, reflecting higher average client asset values driven by favorable market appreciation and continued positive net flows since the prior year period.

Net investment income increased slightly during the three months ended September 30, 2020 compared to the same period in 2019 largely due to the larger size of our invested asset portfolio which resulted in an increase in net investment income of approximately \$1.7 million compared to the prior year period. Net investment income also benefited from income recognized on called securities of approximately \$1.0 million compared to the same period in 2019. These increases were largely offset by lower yields on our invested asset portfolio of approximately \$2.3 million compared to the prior year period. Investment income net of investment expenses includes interest earned on our held-to-maturity invested asset, which is completely offset by interest expense on surplus note, thereby eliminating any impact on net investment income. Amounts recognized for each line item will remain offsetting and will fluctuate from period to period along with the principal amounts of the held-to-maturity asset and the surplus note based on the balance of reserves being contractually supported under a redundant reserve financing transaction used by Vidalia Re, Inc. (“Vidalia Re Financing Transaction”). For more information on the Vidalia Re Financing Transaction, see Note 3 (Investments) and Note 12 (Debt) to our unaudited condensed consolidated financial statements and included elsewhere in this report.

Other, net revenues increased during the three months ended September 30, 2020 compared to the same period in 2019 largely due to the increase in fees received for access to Primerica Online (“POL”), our primary sales force support tool. The increase in these fees is consistent with subscriber growth, as the size of the independent sales force and number of new recruits continued to increase. Fees collected for POL subscriptions are allocated between our Term Life Insurance segment and our Investment and Savings Products segment based on the estimated number of sales representatives that are licensed to sell products in each respective segment. The increase in these fees was accompanied by higher spending reflected in insurance and other operating expenses to support and enhance POL.

Total benefits and expenses. Total benefits and expenses increased during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 primarily due to the growth in benefits and claims as a result of the COVID-19 pandemic and growth in our in-force book of business partially offset by a decrease in amortization of DAC as a result of increased persistency.

Income taxes. Our effective income tax rate for the three months ended September 30, 2020 was 23.5%, relatively consistent with 23.1% for the three months ended September 30, 2019.

Results for the Nine Months Ended September 30, 2020

Total revenues. Total revenues increased during the nine months ended September 30, 2020 compared to the same period in 2019 driven by the impact that strong sales and significant positive trends in persistency in recent periods had on direct premiums on term life insurance policies that are not subject to the IPO coinsurance transactions. The run-off of business subject to these same transactions is reflected in the decline in ceded premiums. Commissions and fees increased largely due to growth in product sales and higher average client asset values during the third quarter of 2020 compared to the same period in 2019.

Net investment income decreased during the nine months ended September 30, 2020 compared to the same period in 2019 largely due to the negative impact from a lower total return on the deposit asset backing the 10% coinsurance agreement that is subject to deposit method accounting. The lower year-over-year total return of \$9.2 million on this deposit asset was primarily due to a negative mark-to-market adjustment as fixed income security prices fell during the first quarter of the current year as a result of the economic downturn and uncertainty associated with the COVID-19 pandemic. Also contributing to a decrease in net investment income were lower yields on our invested asset portfolio of approximately \$7.5 million. The decrease in net investment income was partially offset by the larger size of the invested asset portfolio which resulted in an increase in net investment income of approximately \$5.5 million and an increase in income recognized on called securities of approximately \$1.4 million during the nine months ended September 30, 2020 compared to the same period in 2019. Investment income net of investment expenses includes interest earned on our held-to-maturity invested asset, which is completely offset by interest expense on surplus note, thereby eliminating any impact on net investment income. Amounts recognized for each line item will remain offsetting and will fluctuate from period to period along with the principal amounts of the held-to-maturity asset and the surplus note based on the balance of reserves being contractually supported under the Vidalia Re Financing Transaction. For more information on the Vidalia Re Financing Transaction, see Note 3 (Investments) and Note 12 (Debt) to our unaudited condensed consolidated financial statements included elsewhere in this report.

Realized investment gains (losses) during the nine months ended September 30, 2020 was a loss compared to a gain in the same period in 2019 primarily due to a \$4.6 million negative mark-to-market adjustment on equity securities held within our invested asset portfolio that were in industries adversely affected by the COVID-19 pandemic and which have not participated in the subsequent recovery. Also contributing to the realized investment loss in the current period is the recognition of \$3.8 million of credit losses for specific issuers that operate in distressed industry sectors that were particularly affected by deteriorating economic conditions during the nine months ended September 30, 2020.

Other, net revenues increase during the nine months ended September 30, 2020 compared to the same period in 2019 due to the same factors discussed above in the three-month comparison.

Total benefits and expenses. Total benefits and expenses increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 due to the same factors discussed above in the three-month comparison.

Income taxes. Our effective income tax rate for the nine months ended September 30, 2020 was 23.7%, consistent with 23.1% for the nine months ended September 30, 2019.

For additional information, see the Segment Results discussions below.

Segment Results

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

	Three months ended September 30,				Nine months ended September 30,			
	2020	2019	Change		2020	2019	Change	
			\$	%			\$	%
<i>(Dollars in thousands)</i>								
Revenues:								
Direct premiums	\$ 730,273	\$ 685,539	\$ 44,734	7%	\$ 2,138,024	\$ 2,037,298	\$ 100,726	5%
Ceded premiums	(392,004)	(387,120)	4,884	1%	(1,178,155)	(1,174,147)	4,008	*
Net premiums	338,269	298,419	39,850	13%	959,869	863,151	96,718	11%
Allocated investment income	6,813	5,123	1,690	33%	19,598	14,303	5,295	37%
Other, net	12,717	10,985	1,732	16%	34,311	30,785	3,526	11%
Total revenues	357,799	314,527	43,272	14%	1,013,778	908,239	105,539	12%
Benefits and expenses:								
Benefits and claims	156,209	122,751	33,458	27%	420,182	352,674	67,508	19%
Amortization of DAC	45,529	61,548	(16,019)	(26)%	164,099	181,792	(17,693)	(10)%
Insurance expenses	44,800	43,157	1,643	4%	134,272	127,902	6,370	5%
Insurance commissions	5,946	3,311	2,635	80%	12,115	7,772	4,343	56%
Total benefits and expenses	252,484	230,767	21,717	9%	730,668	670,140	60,528	9%
Income before income taxes	\$ 105,315	\$ 83,760	\$ 21,555	26%	\$ 283,110	\$ 238,099	\$ 45,011	19%

* Less than 1%.

Results for the Three Months Ended September 30, 2020

Net premiums. Direct premiums increased during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 largely due to strong sales of new policies in recent periods that contributed to growth in the in-force book of business. Also contributing to the increase in direct premiums are high levels of persistency experienced during the three months ended September 30, 2020 as a result of favorable public sentiment for protection products in response to the COVID-19 pandemic. This is partially offset by an increase in ceded premiums, which includes \$16.5 million in higher non-level YRT reinsurance ceded premiums as business not subject to the IPO coinsurance transactions ages, reduced by \$11.7 million in lower coinsurance ceded premiums due to the run-off of business subject to the IPO coinsurance transactions.

Allocated investment income. Allocated investment income increased during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 due to an increase in the assumed net interest accreted to our Term Life Insurance segment's future policy benefit reserve liability less deferred acquisition costs as our Term Life Insurance segment's in-force business continues to grow.

Benefits and claims. Benefits and claims increased during the three months ended September 30, 2020 compared to the same period in 2019 primarily due to higher mortality experience as a result of the COVID-19 pandemic as well as larger reserve increases due to favorable persistency trends. Total claims experience increased during the three months ended September 30, 2020 by approximately \$9.0 million over historical trends. The increase over historical trends was driven by approximately \$8.0 million in COVID-19 related claims and approximately \$1.0 million due to normal claims volatility. Reserve increases due to higher persistency were approximately \$7.9 million for the three months ended September 30, 2020.

Amortization of DAC. The amortization of DAC decreased during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 due to high levels of persistency experienced throughout all policy durations as a result of favorable public sentiment for protection products in response to the COVID-19 pandemic. This reduced the amortization of DAC by approximately \$22.0 million for the three months ended September 30, 2020.

Insurance expenses. Insurance expenses increased during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 primarily due to increases in expenses to support growth in the business and employee related expenses. This was partially offset by reduced expenses due to business travel restrictions and event cancellations in response to the COVID-19 pandemic.

Insurance commissions. Insurance commissions increased during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 as a result of higher non-deferrable sales force promotional activities. Cost savings from lower

insurance expenses discussed above were used to fund sales forces promotional activities mainly designed to encourage recruits to obtain licenses despite challenges presented by the COVID-19 pandemic.

Results for the Nine Months Ended September 30, 2020

Net premiums. Direct premiums increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 largely due to strong sales of new policies that contributed to growth in the in-force book of business. Also contributing to the increase in direct premiums are high levels of persistency experienced during the nine months ended September 30, 2020 as a result of favorable public sentiment for protection products in response to the COVID-19 pandemic. This is partially offset by an increase in ceded premiums, which includes \$42.8 million in higher non-level YRT reinsurance ceded premiums as business not subject to the IPO coinsurance transactions ages, reduced by \$38.8 million in lower coinsurance ceded premiums due to the run-off of business subject to the IPO coinsurance transactions.

Allocated investment income. Allocated investment income increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 due to the same factors discussed above in the three-month comparison.

Benefits and claims. Benefits and claims increased during the nine months ended September 30, 2020 compared to the same period in 2019 primarily due to higher mortality experience as a result of the COVID-19 pandemic as well as larger reserve increases due to favorable persistency trends. Total claims experience increased during the nine months ended September 30, 2020 by approximately \$19.0 million over historical trends. The increase over historical trends was driven by approximately \$18.0 million in COVID-19 related claims and approximately \$1.0 million due to normal claims volatility. Reserve increases due to higher persistency were approximately \$12.2 million for the nine months ended September 30, 2020.

Amortization of DAC. The amortization of DAC decreased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 due to high levels of persistency experienced throughout all policy durations as a result of favorable public sentiment for protection products in response to the COVID-19 pandemic. This reduced the amortization of DAC by approximately \$29.7 million for the nine months ended September 30, 2020.

Insurance expenses. Insurance expenses increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 primarily due to increases in expenses to support growth in the business, enhance technology-related capabilities, and employee related expenses, partially offset by a decrease in expenses as a result of business travel restrictions and event cancellations in response to the COVID-19 pandemic.

Insurance commissions. Insurance commissions increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 due to the same factors discussed above in the three-month comparison.

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

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2020	2019	\$	%	2020	2019	\$	%
<i>(Dollars in thousands)</i>								
Revenues:								
Commissions and fees:								
Sales-based revenues	\$ 65,600	\$ 69,034	\$ (3,434)	(5)%	\$ 209,304	\$ 207,469	\$ 1,835	1%
Asset-based revenues	86,695	81,009	5,686	7%	246,235	233,965	12,270	5%
Account-based revenues	21,008	20,449	559	3%	61,690	59,958	1,732	3%
Other, net	3,034	2,661	373	14%	8,322	7,517	805	11%
Total revenues	176,337	173,153	3,184	2%	525,551	508,909	16,642	3%
Expenses:								
Amortization of DAC	1,667	2,044	(377)	(18)%	6,072	4,622	1,450	31%
Insurance commissions	3,377	3,257	120	4%	9,684	9,437	247	3%
Sales commissions:								
Sales-based	46,821	48,652	(1,831)	(4)%	148,217	147,161	1,056	1%
Asset-based	39,349	35,875	3,474	10%	111,345	103,882	7,463	7%
Other operating expenses	33,751	34,530	(779)	(2)%	104,302	104,986	(684)	(1)%
Total expenses	124,965	124,358	607	*	379,620	370,088	9,532	3%
Income before income taxes	\$ 51,372	\$ 48,795	\$ 2,577	5%	\$ 145,931	\$ 138,821	\$ 7,110	5%

* Less than 1%.

Results for the Three Months Ended September 30, 2020

Commissions and fees. Commissions and fees increased during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 primarily due to growth in asset-based revenues, reflecting higher average client asset values driven by favorable market appreciation and continued positive net flows since the end of the prior year period. This was partially

offset by lower sales-based revenues as investor demand for annuity products weakened when product providers offered less attractive benefits in consideration of the historically low interest rate environment.

Amortization of DAC. Amortization of DAC decreased during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 largely due to positive market performance of the funds underlying our Canadian segregated funds product.

Sales commissions. The decrease in sales-based commissions for the three months ended September 30, 2020 compared to the three months ended September 30, 2019 was generally consistent with the decrease in sales-based revenue. When considering that asset-based expenses for our Canadian segregated funds were reflected within insurance commissions and amortization of DAC, the increase in asset-based commissions in the three months ended September 30, 2020 compared to the prior year period was consistent with the increase in asset-based revenues excluding the Canadian segregated funds.

Results for the Nine Months Ended September 30, 2020

Commissions and fees. Commissions and fees increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 primarily due to the growth in asset-based revenues as average client asset values increased in 2020 versus 2019 due to market appreciation and continued positive net flows since the prior year period. Also contributing to the increase in commissions and fees was a slight increase in sales-based revenues driven by higher demand for mutual fund products and variable annuity products during the first quarter of 2020. This was partially offset by lower annuity product sales during the second and third quarters as investors' demand for annuity product sales weakened as product providers offered less attractive benefits in consideration of the historically low interest rate environment.

Amortization of DAC. Amortization of DAC increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 largely due to negative market performance of the funds underlying our Canadian segregated funds product caused by market volatility and economic uncertainty associated with the COVID-19 pandemic in the first quarter of 2020 compared with positive market performance in the same period in 2019.

Sales commissions. The increase in sales-based commissions for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 was generally consistent with the increase in sales-based revenues. When considering that asset-based expenses for our Canadian segregated funds were reflected within insurance commissions and amortization of DAC, the increase in asset-based commissions in the nine months ended September 30, 2020 compared to the prior year period was consistent with the increase in asset-based revenues excluding the Canadian segregated funds.

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

	Three months ended September 30,		Change		Nine months ended September 30,		Change		
	2020	2019	\$	%	2020	2019	\$	%	
	(Dollars in thousands)								
Revenues:									
Direct premiums	\$ 6,333	\$ 6,719	\$ (386)	(6)%	\$ 18,307	\$ 19,508	\$ (1,201)	(6)%	
Ceded premiums	(1,712)	(1,862)	(150)	(8)%	(4,935)	(5,217)	(282)	(5)%	
Net premiums	4,621	4,857	(236)	(5)%	13,372	14,291	(919)	(6)%	
Commissions and fees	11,999	9,227	2,772	30%	29,930	24,110	5,820	24%	
Investment income net of investment expenses	30,844	30,321	523	2%	83,735	92,564	(8,829)	(10)%	
Interest expense on surplus note	(14,704)	(12,769)	1,935	15%	(42,250)	(35,212)	7,038	20%	
Net investment income	16,140	17,552	(1,412)	(8)%	41,485	57,352	(15,867)	(28)%	
Realized investment gains (losses)	642	285	357	*	(7,645)	4,200	(11,845)	*	
Other, net	923	1,052	(129)	(12)%	2,742	3,444	(702)	(20)%	
Total revenues	34,325	32,973	1,352	4%	79,884	103,397	(23,513)	(23)%	
Benefits and expenses:									
Benefits and claims	3,957	5,933	(1,976)	(33)%	14,443	13,362	1,081	8%	
Amortization of DAC	295	291	4	1%	808	859	(51)	(6)%	
Insurance expenses	1,309	1,697	(388)	(23)%	4,300	4,923	(623)	(13)%	
Insurance commissions	371	412	(41)	(10)%	1,072	1,218	(146)	(12)%	
Sales commissions	5,780	4,534	1,246	27%	14,487	11,917	2,570	22%	
Interest expense	7,221	7,209	12	*	21,614	21,589	25	*	
Other operating expenses	25,596	20,313	5,283	26%	77,111	71,482	5,629	8%	
Total benefits and expenses	44,529	40,389	4,140	10%	133,835	125,350	8,485	7%	
Loss before income taxes	\$ (10,204)	\$ (7,416)	\$ 2,788	38%	\$ (53,951)	\$ (21,953)	\$ 31,998	146%	

* Less than 1% or not meaningful.

Results for the Three Months Ended September 30, 2020

Total revenues. Total revenues increased during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 largely due to the increase in commissions and fees income earned from higher sales of other distributed products, primarily our mortgage distribution business. This was partially offset by a decrease in net investment income due to an increase in the allocation of net investment income accreted to our Term Life Insurance segment as our in-force business continued to grow.

Total benefits and expenses. Total benefits and expenses increased during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 as a result of higher operating expenses primarily due to employee and technology related expenses. Also contributing to the increase were higher sales commissions driven by increased sales of other distributed products. These were offset by lower benefits and claims experienced on non-term life insurance business underwritten by NBLIC during the three months ended September 30, 2020 compared to the three months ended September 30, 2019.

Results for the Nine Months Ended September 30, 2020

Total revenues. Total revenues decreased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 largely due to the decrease in net investment income and realized investment gains (losses) as discussed in the Primerica, Inc. and Subsidiaries Results of Operations section above combined with an increase in the allocation of net investment income accreted to our Term Life Insurance segment as our in-force business continued to grow. This was partially offset by an increase in commissions and fees income earned from higher sales of other distributed products, primarily our mortgage distribution business.

Total benefits and expenses. Total benefits and expenses increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 as a result of higher operating expenses primarily due to employee and technology-related expenses and higher sales commissions driven by increased sales of other distributed products.

Financial Condition

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

We follow a conservative investment strategy designed to emphasize the preservation of our invested assets and provide adequate liquidity for the prompt payment of claims. To meet business needs and mitigate risks, our investment guidelines provide restrictions on our portfolio's composition, including limits on asset type, per issuer limits, credit quality limits, portfolio duration, limits on the amount of investments in approved countries and permissible security types. We also manage and monitor our allocation of investments to limit the accumulation of any disproportionate concentrations of risk among industry sectors or issuer countries outside of the U.S. and Canada. In addition, as of September 30, 2020, 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 3 (Investments) to our unaudited condensed consolidated financial statements included elsewhere in this report.

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

Our invested asset portfolio is subject to a variety of risks, including risks related to general economic conditions, market volatility, interest rate fluctuations, liquidity risk and credit and default risk. Investment guideline restrictions have been established to minimize the effect of these risks but may not always be effective due to factors beyond our control. Interest rates and credit spreads are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. A significant increase in interest rates or credit spreads could result in significant losses, realized or unrealized, in the value of our invested asset portfolio. For example, from December 31, 2019 to March 31, 2020 market volatility and

economic uncertainty associated with the COVID-19 pandemic caused a sharp increase in credit spreads, which translated to a reduction in the net unrealized gain on our available-for-sale securities portfolio from \$82.2 million to a net unrealized loss of \$1.3 million. From March 31, 2020 to September 30, 2020, credit spreads tightened sharply and bond markets recovered, and resulting in the net unrealized gain on our available-for-sale securities portfolio to grow to \$135.0 million. 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:

	September 30, 2020		December 31, 2019	
Average rating of our fixed-maturity portfolio	A		A	
Average duration of our fixed-maturity portfolio	4.6	years	3.6	years
Average book yield of our fixed-maturity portfolio	3.45%		3.54%	

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

	September 30, 2020		December 31, 2019	
	Amortized cost (1)	%	Amortized cost (1)	%
	<i>(Dollars in thousands)</i>			
AAA	\$ 456,761	20%	\$ 555,640	24%
AA	297,165	13%	271,936	12%
A	507,858	22%	543,351	23%
BBB	978,302	42%	885,497	38%
Below investment grade	87,727	3%	59,190	3%
Not rated	2,881	*	2,389	*
Total	\$ 2,330,694	100%	\$ 2,318,003	100%

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

* Less than 1%.

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

Issuer	September 30, 2020			
	Fair value	Amortized cost (1)	Unrealized gain (loss)	Credit rating
	<i>(Dollars in thousands)</i>			
Government of Canada	\$ 20,868	\$ 20,032	\$ 836	AAA
Province of Ontario Canada	18,936	17,979	957	A+
Province of Quebec Canada	16,108	14,523	1,585	AA-
Enbridge Inc	12,029	11,437	592	BBB+
Province of New Brunswick Canada	12,006	11,179	827	A+
Wells Fargo & Co	12,002	11,881	121	A-
Province of Alberta Canada	11,743	10,834	909	A+
Province of British Columbia Canada	10,700	10,216	484	AAA
General Motors Co	10,028	9,251	777	BBB
City of Toronto Canada	9,351	8,617	734	AA
Total – ten largest holdings	\$ 133,771	\$ 125,949	\$ 7,822	
Total – fixed-maturity securities	\$ 2,465,672	\$ 2,330,694		
Percent of total fixed-maturity securities	5%	5%		

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

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

Liquidity and Capital Resources

Dividends and other payments to the Parent Company from its subsidiaries are our principal sources of cash. The amount of dividends paid by the subsidiaries is dependent on their capital needs to fund future growth and applicable regulatory restrictions. The primary uses of funds by the Parent Company include the payments of stockholder dividends, interest on notes payable, general operating expenses, and income taxes, as well as repurchases of common shares outstanding. As of September 30, 2020, the Parent Company had cash and invested assets of \$251.1 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 have maintained strong cash flows despite the COVID-19 pandemic due to strong persistency. Although our future cash flows could be adversely affected by further deterioration of economic conditions caused by the COVID-19 pandemic, we anticipate that cash flows from our businesses will continue to provide sufficient operating liquidity over the next 12 months.

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

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

	Nine months ended September 30,		Change \$
	2020	2019	
	<i>(In thousands)</i>		
Net cash provided by (used in) operating activities	\$ 403,953	\$ 321,331	\$ 82,622
Net cash provided by (used in) investing activities	(58,077)	(114,759)	56,682
Net cash provided by (used in) financing activities	(272,450)	(231,765)	(40,685)
Effect of foreign exchange rate changes on cash	575	801	(226)
Change in cash and cash equivalents	\$ 74,001	\$ (24,392)	\$ 98,393

Operating Activities. Cash provided by operating activities increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 largely due to growth in direct premiums from higher sales of new policies and positive persistency trends in recent periods. 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. Higher benefits and claims recognized during 2020 did not significantly impact cash flows due to an increase in claims payable at September 30, 2020 and a corresponding increase in ceded claims owed from reinsurers. Also contributing to the increase in cash from operating activities was the timing of investments in trading securities at our broker-dealer subsidiary. Partially offsetting the increase in cash from operating activities in 2020 versus 2019 were higher cash expenditures for policy acquisition costs due to the growth in new policy sales.

Investing Activities. Cash flows used in investing activities decreased during the nine months ended September 30, 2020 compared to nine months ended 2019 as a result of lower purchases and higher sales and maturities of available-for-sale securities in our invested asset portfolio. The reduction in cash flows used in investing activities was largely due to the timing of sales and maturities of available-for-sale securities relative to the availability of opportunities to reinvest those cash flows.

Financing Activities. Cash used in financing activities increased during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 mainly due to the accelerated timing of share repurchases made in 2020 in response to market conditions that provided an opportunity to repurchase shares at attractive prices. In addition, the level of share repurchase activity increased as the size of the share repurchase program in 2020 increased over 2019. Also contributing to the increase were higher dividends paid to shareholders as the Company increased its per share dividend in 2020.

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

As of September 30, 2020, 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 September 30, 2020, Primerica Life Insurance Company of Canada was in compliance with Canada's minimum capital requirements as determined by OSFI.

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

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

The NAIC has adopted a model regulation for determining reserves using a principle-based approach ("principle-based reserves" or "PBR"), which is designed to reflect each insurer's own experience in calculating reserves and move away from a standardized reserving formula. Primerica Life adopted PBR 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 PBR regulation will significantly reduce the statutory policy benefit reserve requirements, but will apply only 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 within our 2019 Annual Report for more information on these redundant reserve financing transactions.

Notes Payable. The Company has \$375.0 million of publicly-traded, Senior Notes outstanding issued at a price of 99.843% with an annual interest rate of 4.75%, payable semi-annually in arrears on January 15 and July 15. The Senior Notes mature July 15, 2022. We were in compliance with the covenants of the Senior Notes as of September 30, 2020. No events of default occurred during the three and nine months ended September 30, 2020.

Rating Agencies. There have been no changes to Primerica, Inc.'s Senior Notes ratings or Primerica Life's financial strength ratings since December 31, 2019.

Short-Term Borrowings. We had no short-term borrowings as of or during the three and nine months ended September 30, 2020.

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

Off-Balance Sheet Arrangements. We have no transactions, agreements or other contractual arrangements to which an entity unconsolidated with the Company is a party, under which the Company maintains any off-balance sheet obligations or guarantees as of September 30, 2020.

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 September 30, 2020, no amounts have been drawn under the Revolving Credit Facility and we were in compliance with its covenants. Furthermore, no events of default have occurred under the Revolving Credit Facility in the three or nine months ended September 30, 2020.

Contractual Obligations Update. There have been no material changes in contractual obligations from those disclosed in the 2019 Annual Report.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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

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

- major public health pandemics, epidemics or outbreaks, specifically the novel coronavirus COVID-19 pandemic, could materially adversely impact our business, financial condition and results of operations;
- 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 the Department of Labor, 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 when the fair value of our available-for-sale invested assets is below amortized costs 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in our exposures to market risk since December 31, 2019. For details on the Company's interest rate, foreign currency exchange, and credit risks, see "Item 7A. Quantitative and Qualitative Information About Market Risks" in our 2019 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

ITEM 1A. RISK FACTORS.

The following supplements and amends the Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2019 are incorporated herein by reference.

Major public health pandemics, epidemics or outbreaks, specifically the novel coronavirus COVID-19 (“COVID-19”) pandemic, could materially adversely impact our business, financial condition and results of operations.

Our operations are exposed to the risk of major public health pandemics, epidemics or outbreaks (a “major public health crisis”), such as the COVID-19 pandemic, which, among other things, could cause a large number of premature deaths of our insureds. Although we have ceded a significant majority of our mortality risk to reinsurers, a major public health crisis could cause substantial volatility in our financial results for a period of time and could also materially harm the financial condition of our reinsurers or decrease the availability of reinsurance on new business. A major public health crisis could negatively impact our ability to attract new recruits, train and license the sales force, and incentivize the sales force to sell our products. If a significant number of sales representatives were to become ill, it could have a material adverse effect on recruiting, licensing, and our ability to write new business. A major public health crisis could also cause significant volatility in global financial markets and disrupt the economy and the demand for the term life insurance, investment and savings and other financial products that we sell. Our investment portfolio and the valuations of invested assets we hold could also be materially adversely affected.

Specifically with respect to the COVID-19 pandemic, government-mandated stay-at-home orders adopted in the first quarter of 2020 and the ongoing recommendation that individuals practice social distancing (collectively, “prevention measures”) inhibited and continue to inhibit the face-to-face setting sales representatives primarily used to meet the needs of clients, attract new recruits, and retain and motivate sales representatives and such interactions may not be adequately replaced by technological solutions. Further, during the first quarter of 2020, prevention measures negatively impacted completion of paramedical tests necessary to underwrite some of our life insurance applications. Prevention measures also caused and continue to cause limited availability and capacity of licensing test centers, which negatively impact the ability of sales representatives to obtain the licenses necessary to sell certain of our products, including life insurance, securities and mortgages. Finally, prevention measures have also caused the cancellation of large meetings that we use to motivate the sales force to sell our products. While some of the prevention measures were lifted or mitigated during the second and third quarters of 2020, similar or greater prevention measures could be imposed in the future especially if the pandemic continues to escalate in the United States. We cannot predict the impact that any such measures could have on our business and results of operations.

The COVID-19 pandemic has led to an economic downturn that is likely to continue for the foreseeable future. This economic downturn has resulted in extraordinary unemployment rates, lower household income and lower consumer spending, all of which could adversely affect the persistency of in force business, the demand for the term life insurance, investment and savings and other financial products that we sell, our liquidity and our ability to attract new recruits. It could also negatively impact product providers and business partners with whom we have long-standing business relationships, which could materially adversely affect our business. Many state governments required that insurance companies temporarily extend grace periods and we have continued to adopt other measures intended to enable customers to maintain life insurance policies when facing financial hardships due to the COVID-19 pandemic. We do not yet know the impact this will have on the future persistency of our life insurance policies. Further, the significant decline in the North American equity markets in the first quarter of 2020 impacted, and potential future declines could impact, the value of clients’ investment accounts and may have a negative effect on the Company’s sales of investment and savings products, both of which could have an adverse effect on our business, financial condition and results of operations.

While governmental and non-governmental organizations are engaging in efforts to combat the spread and severity of COVID-19, these measures have not been effective. Further, we cannot predict accurately how legal and regulatory responses to concerns about the COVID-19 pandemic will impact our business. For example, liability could result if persons are infected with COVID-19 at one of our offices or by one of the sales representatives and it is determined that we did not exercise reasonable precautions in how we protect our workplaces. The extent to which the COVID-19 pandemic may impact our business, financial condition and results of operations will depend on future developments which are highly uncertain and cannot be predicted accurately, including new information that may emerge concerning the severity of the COVID-19 pandemic, the duration of the pandemic and actions taken to contain or mitigate its impact.

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

During the quarter ended September 30, 2020, we repurchased shares of our common stock as follows:

Period	Total number of shares purchased (1)	Average price paid per share (1)	Total number of shares purchased as part of publicly announced plans or programs (2)	Approximate dollar value of shares that may yet be purchased under the plans or programs (2)
July 1 - 31, 2020	193,561	\$ 116.50	193,112	\$ 100,956,545
August 1 - 31, 2020	147,101	129.20	147,042	81,958,719
September 1 - 30, 2020	-	-	-	81,958,719
Total	340,662	121.98	340,154	81,958,719

(1) Consists of (a) repurchases of 508 shares at an average price of \$116.88 arising from share-based compensation tax withholdings and (b) open market repurchases of shares under the share repurchase program approved by our Board of Directors.

(2) On February 10, 2020, our Board of Directors authorized a share repurchasing 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 information regarding year-to-date share repurchases, refer to Note 7 (Stockholders' Equity) to our unaudited condensed consolidated financial statements included elsewhere in this report.

ITEM 6. EXHIBITS.

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

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

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

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

SIGNATURES

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

November 5, 2020

Primerica, Inc.

/s/ Alison S. Rand

Alison S. Rand

Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification of Chief Executive Officer

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

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

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

Date: November 5, 2020

/s/ Alison S. Rand

Alison S. Rand
Executive Vice President and
Chief Financial Officer

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

In connection with the quarterly report on Form 10-Q of Primerica, Inc. (the "Company") for the period ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glenn J. Williams, as Chief Executive Officer of the Company, and I, Alison S. Rand, as Executive Vice President and Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Glenn J. Williams

Name: Glenn J. Williams
Title: Chief Executive Officer
Date: November 5, 2020

/s/ Alison S. Rand

Name: Alison S. Rand
Title: Executive Vice President and Chief Financial Officer
Date: November 5, 2020