

# Earnings Results

## Quarter Ended March 31, 2020



# Forward-Looking Statements and Non-GAAP Financial Measures

## Forward-Looking Statements

This presentation may contain forward-looking statements and information. Additional information on factors that could cause results to differ materially from those projected in this presentation is available in our Form 10-K for the year ended December 31, 2019, as may be updated by our quarterly reports on Form 10-Q, available in the “Investor Relations” section of our website, <http://investors.primerica.com>.

## Non-GAAP Financial Measures

This presentation also contains non-GAAP financial measures. A reconciliation of those measures to GAAP financial measures is included in our Financial Supplement, which is posted in the Investor Relations section of our website, <http://investors.primerica.com>.

Reported amounts may not add due to rounding.

# Financial Highlights

- Strong operating financial results
  - 13% growth in adjusted net operating income
  - 18% growth in diluted adjusted operating earnings per share
  - Adjusted operating ROAE 21.8% during the quarter versus 20.3% in prior year
- Capital Return
  - Repurchased \$90 million of common stock and paid \$16.5 million in stockholder dividends
- Diluted adjusted EPS of \$2.05 versus GAAP diluted EPS of \$1.75
  - GAAP results include realized losses on the invested asset portfolio and a mark-to-market adjustment on the reinsurance deposit asset, both of which management excludes when evaluating operating results

For a reconciliation of GAAP to non-GAAP financial measures refer to page 7 of the Financial Supplement

## GAAP Financial Results

| (\$ in millions, except per-share amounts) | Q1 2020   | Q1 2019   | % Change |
|--|-----------|-----------|----------|
| Revenues                                   | \$524.9   | \$495.0   | 6%       |
| Net income                                 | \$72.5    | \$79.2    | (8%)     |
| Stockholders' equity                       | \$1,530.1 | \$1,521.4 | 1%       |
| Diluted EPS <sup>(1)</sup>                 | \$1.75    | \$1.83    | (5%)     |
| Book value per share <sup>(2)</sup>        | \$37.82   | \$35.88   | 5%       |
| ROE  | 18.2%     | 21.2%     |          |

## Adjusted Operating Financial Results

| (\$ in millions, except per-share amounts)    | Q1 2020   | Q1 2019   | % Change |
|---|-----------|-----------|----------|
| Adjusted operating revenues                   | \$541.3   | \$490.0   | 10%      |
| Adjusted net operating income                 | \$85.0    | \$75.3    | 13%      |
| Adjusted stockholders' equity                 | \$1,531.4 | \$1,492.5 | 3%       |
| Diluted adjusted operating EPS <sup>(1)</sup> | \$2.05    | \$1.74    | 18%      |
| Adjusted book value per share <sup>(2)</sup>  | \$37.85   | \$35.20   | 8%       |
| Adjusted operating ROAE                       | 21.8%     | 20.3%     |          |

For a reconciliation of GAAP to non-GAAP financial measures refer to page 7 of the Financial Supplement

(1) 41.2 million weighted-average common shares outstanding for Q1 2020

(2) 40.5 million common shares outstanding as of March 31, 2020

# Distribution Highlights

- Discounted IBA fees created excitement and attracted 84,762 new recruits during the quarter
- Licensing increased 5% year-over-year as stay-at-home orders began to create a headwind in March
- Sales force total 130,095 at March 31, 2020

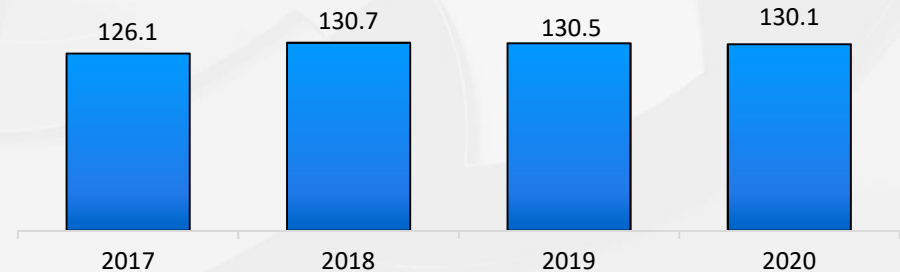
## Sales Force

| Distribution                         | Q1 2020 | Q1 2019 | % Change |
|--------------------------------------|---------|---------|----------|
| Recruits                             | 84,762  | 63,223  | 34%      |
| New life licensed representatives    | 10,599  | 10,065  | 5%       |
| Life insurance licensed sales force* | 130,095 | 129,821 | <1%      |

\* at period end

## Life Insurance Licensed Sales Force

End of period, in thousands



# Production Highlights

## Term Life Insurance

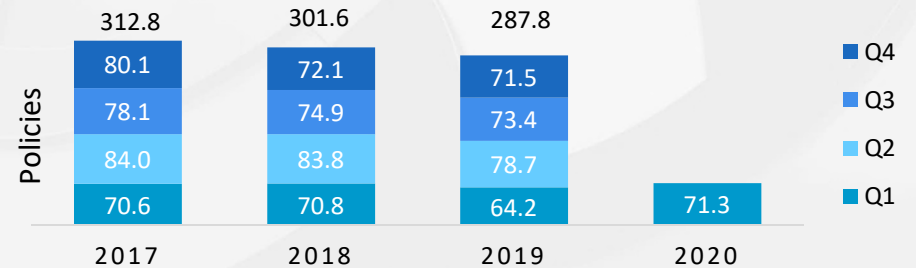
- Productivity of 0.18 policies per life insurance licensed representative per month marks a reversal of deceleration trend
- Policies issued increased 11% year-over-year, reflecting building momentum
- Life insurance face amount in force increased 2% year-over-year

## Production

|           | (\$ in billions)                    | Q1 2020 | Q1 2019 | % Change |
|-----------|-------------------------------------|---------|---------|----------|
| Term Life | Issued life insurance policies      | 71,318  | 64,242  | 11%      |
|           | Face amount issued                  | \$23.2  | \$20.9  | 11%      |
|           | Life insurance face amount in force | \$804.5 | \$785.6 | 2%       |
|           | Productivity                        | 0.18    | 0.16    |          |

## Issued Term Life Policies

(thousands)



# Production Highlights

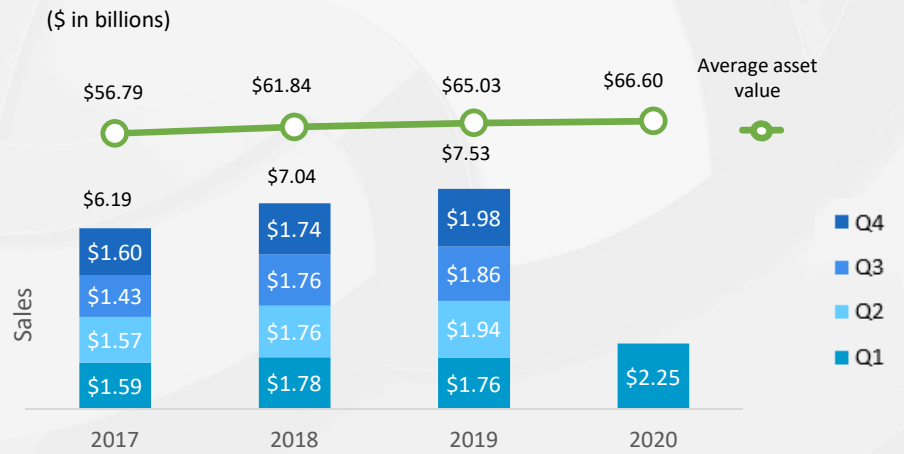
## Investment and Savings Products

- Record \$2.2 billion in investment sales during the quarter
  - Continued strength in VAs, mutual funds and managed accounts
- Average client asset values of \$66.6 billion increased 8% year-over-year
  - Ending client asset values of \$59.0 billion reflect sharp market decline in the latter part of the quarter
- Strong net inflows of \$543 million reflect record sales levels and redemptions that were in-line with the growth in client asset values

### Production

| ISP  | (\$ in billions)                   | Q1 2020 | Q1 2019 | % Change |
|--|------------------------------------|---------|---------|----------|
|  | Investment & savings product sales | \$2.25  | \$1.76  | 28%      |
| Investment & savings products client asset values (ending) | \$59.04                            | \$63.60 | (7%)    |          |

### ISP Production



# Adapting our Business to COVID-19

## Positioned to respond to crisis

- Strong business continuity plans allowed us to adapt quickly
- Existing transactional technology combined with web conferencing to interact with clients remotely
- Excellent communication system leveraged with new capabilities
- Adaptable, entrepreneurial sales force combined with effective incentives
- Facing challenges head-on with innovative solutions

## Our outlook for the near-term

- While we are not yet in a position to project the full impact of this crisis, we are focused on:
  - Keeping energy high and the sales force engaged
  - Planning for backlog of licensing exams
  - Providing alternatives to traditional paramed exam process
- Anticipated second quarter year-over-year results
  - Recruiting up 9%
  - Insurance sales up 5%
  - Sales force size flat
  - ISP sales down 15%

# Operating Results

## Term Life Segment

### Q1 2020 versus Q1 2019

- Adjusted direct premium growth of 11% drove operating revenue growth of 10%
- Benefits and claims ratio in line with historical trends
- DAC amortization ratio lower than prior year and reflects favorable trends in persistency
- Margins increased 120 basis points year-over-year to 19.0% , reflecting the impact of better persistency over the last few quarters

| (\$ in millions)                               | Q1 2020   | Q1 2019   | % Change |
|--|-----------|-----------|----------|
| Direct premiums                                | \$696.6   | \$670.8   | 4%       |
| Premium ceded to IPO coinsurers <sup>(1)</sup> | (\$260.1) | (\$276.2) | 6%       |
| Adjusted direct premiums (ADP) <sup>(2)</sup>  | \$436.5   | \$394.6   | 11%      |
| Operating revenues                             | \$327.7   | \$296.8   | 10%      |
| Operating income before income taxes           | \$82.9    | \$70.3    | 18%      |

| Key Ratios                               | Q1 2020 | Q1 2019 |
|--|---------|---------|
| Benefits and claims, net <sup>(3)</sup>  | 58.1%   | 58.4%   |
| DAC amortization & insurance commissions | 15.8%   | 16.8%   |
| Insurance expenses, net <sup>(4)</sup>   | 8.5%    | 8.1%    |
| Term life income before income taxes     | 19.0%   | 17.8%   |

(1) Premiums ceded to IPO coinsurers under the IPO coinsurance transactions excluding any reimbursements from IPO coinsurers on previously existing reinsurance agreements

(2) Direct premiums net of premiums ceded to IPO coinsurers

(3) Benefits and claims net of other ceded premiums, which are largely YRT

(4) Insurance expenses net of other, net revenues



# Financial Impact of COVID-19

## Term Life Insurance segment

**As 2020 progresses, COVID-19 and the ongoing economic disruption are likely to lead to:**

- Higher **lapses** as pressure on disposable income in the middle-market continues
- Higher **mortality** rates as deaths associated with COVID-19 rise
  - The largest impact is anticipated in Q2
- Fluctuations in **demand** for life insurance

### Potential Impact

- **If lapses increase by 10% across all durations:** \$23 million higher DAC amortization and \$14 million lower reserve increases for a net negative impact of \$9 million
- **If there are an additional 100,000 COVID-related deaths in the U.S. and Canada:** \$15 million increase in term life net claims
  - 100,000 deaths with a population of 367 million equates to an additional 275 deaths per 1 million people
  - Primerica insures 5 million people; Ignoring differences in age distribution would equate to 1,375 deaths
  - Average net claim paid in 2019 was \$11,000

# Operating Results

## Investment & Savings Products Segment

### Q1 2020 versus Q1 2019

- Strong sales demand drives 21% increase in sales-based revenues
- Asset-based revenues increase 11%, in line with the growth in average client asset values
- Ending client asset values of \$59 billion, 11% lower than average client asset value due to the market correction that started in late February
- Canadian seg. fund DAC amortization higher by \$2 million due to market disruption
- Market downturn net-revenue sensitivities
  - \$1 billion change in average client assets results in a change of \$500,000 (quarterly) to net asset-based revenues
  - \$100 million change in sales results in a \$1.3 million impact to sales-based revenue (in period)

| (\$ in millions, except as noted)  | Q1 2020        | Q1 2019        | % Change   |
|--|----------------|----------------|------------|
| Sales-based revenues   | \$80.9         | \$67.0         | 21%        |
| Asset-based revenues   | \$81.4         | \$73.6         | 11%        |
| Account-based revenues   | \$20.2         | \$19.6         | 3%         |
| Other, net   | \$2.5          | \$2.4          | 5%         |
| <b>Total operating revenues</b>  | <b>\$185.0</b> | <b>\$162.7</b> | <b>14%</b> |
| Benefits and expenses  | \$137.3        | \$120.0        | 14%        |
| <b>Operating income before income taxes</b>                                      | <b>\$47.7</b>  | <b>\$42.7</b>  | <b>12%</b> |
| Sales-based net revenue as % of revenue-generating sales <sup>(1)</sup>          | 1.30%          | 1.28%          |            |
| Asset-based net revenue as % of average asset values <sup>(2)</sup>              | 0.047%         | 0.052%         |            |
| Account-based net revenue per average fee generating position <sup>(3) (4)</sup> | \$3.70         | \$3.20         |            |

(1) Commission and fee revenue less commissions paid to the sales force based on product sales activity

(2) Commission and fee revenue less administration and advisory fees paid to third-party providers and commissions paid to the sales force earned based on product account values including amortization of deferred acquisition costs for segregated funds

(3) Fee revenue less recordkeeping fees paid to third-party providers based on fee-generating positions and certain direct general expenses

(4) In whole dollars

# Insurance & Other Operating Expense Highlights

## FIRST QUARTER 2020

- Operating expenses of \$115 million were \$5.5 million higher than Q1 2019, driven by:
  - Technology
  - Growth in the Term Life business
  - Employee-related expenses

## INSURANCE & OTHER OPERATING EXPENSES

| (\$ in millions)                 | Cons * | Life | ISP   | Corp  |
|----------------------------------|--------|------|-------|-------|
| Q1 2019 Expenses *               | 109.1  | 41.8 | 36.3  | 31.0  |
| Technology related expenses      | 2.4    | 2.6  | 1.0   | (1.2) |
| Business growth related expenses | 1.8    | 1.9  | (0.4) | 0.3   |
| Employee related expenses        | 1.3    | 0.9  | 0.0   | 0.5   |
| Q1 2020 Expenses *               | 114.6  | 47.2 | 36.9  | 30.5  |
| Q4 2019 Expenses                 | 106.7  | 44.4 | 36.2  | 26.1  |

\* Items may not add due to rounding

# Invested Assets Portfolio

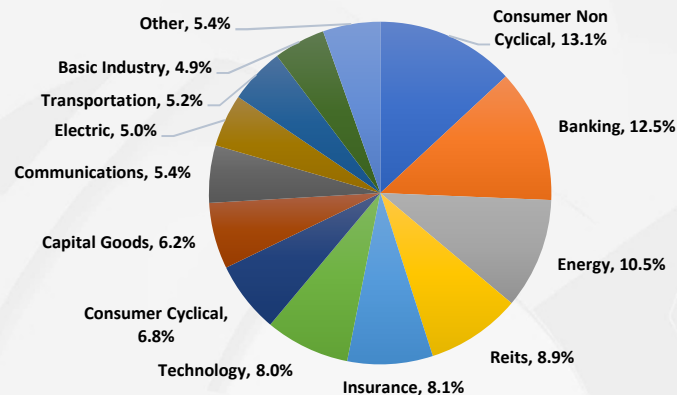
## Key Portfolio Attributes

| (based on amortized cost (except for market value); excludes cash, period end) | Q1 2020          |
|--|------------------|
| Fixed income / other mix   | 98% / 2%         |
| Fixed income average book yield  | 3.55%            |
| Average rating   | A                |
| Investment grade / BIG mix   | 97% / 3%         |
| Average duration   | 3.6 Years        |
| Market value   | \$2.29 billion   |
| Net unrealized gain / (loss)   | (\$1.25) million |

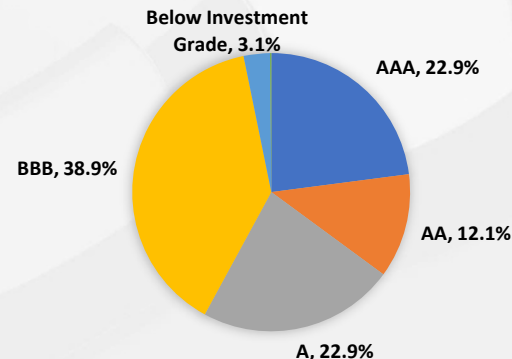
- Sector Exposure:

- Energy: \$130 million, or ~6% of portfolio, average rating BBB and 4.8 years duration
- Transportation: Air transportation: \$54 million, or ~2% of portfolio, average rating A- and 4.6 years duration

## Public Corporate Portfolio by Sector



## Asset by Credit Rating (Fixed Income)



## Capital and Liquidity

- Strong capital and liquidity position
  - Holding company liquidity \$272 million
  - Access to \$200 million revolving credit facility (unused)
  - Primerica Life Insurance Company's (PLIC) RBC ratio around 430%
- Hypothetical severe stress test on fixed income downgrades would lower RBC ratio from current estimated 430% to 415%
- Strong dividends generated by PLIC
- Committed to our quarterly dividend and planned share repurchases