

Primerica, Inc.
Form 10-Q
August 06, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

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	27-1204330
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
	30099

1 Primerica Parkway

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Duluth, Georgia
(Address of principal executive offices) (ZIP Code)

(770) 381-1000

(Registrant's telephone number, including area code)

Not applicable.

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	As of July 31, 2015
Common Stock, \$0.01 Par Value	49,595,363 shares

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	(Unaudited)	
	June 30, 2015	December 31, 2014
	(In thousands)	
Assets:		
Investments:		
Fixed-maturity securities available-for-sale, at fair value (amortized cost: \$1,659,078 in 2015 and \$1,667,500 in 2014)	\$ 1,724,743	\$ 1,759,120
Fixed-maturity securities held-to-maturity, at amortized cost (fair value: \$330,338 in 2015 and \$228,809 in 2014)	328,000	220,000
Equity securities available-for-sale, at fair value (cost: \$42,577 in 2015 and \$43,738 in 2014)	49,961	53,390
Trading securities, at fair value (cost: \$7,943 in 2015 and \$7,710 in 2014)	7,927	7,711
Policy loans	29,112	28,095
Total investments	2,139,743	2,068,316
Cash and cash equivalents	153,933	192,516
Accrued investment income	17,026	17,401
Due from reinsurers	4,137,425	4,115,533
Deferred policy acquisition costs, net	1,430,508	1,351,180
Premiums and other receivables	189,924	181,660
Intangible assets, net (accumulated amortization: \$70,128 in 2015 and \$68,426 in 2014)	60,019	61,720
Deferred income taxes	37,140	36,082
Other assets	290,483	273,403
Separate account assets	2,324,980	2,440,303
Total assets	\$ 10,781,181	\$ 10,738,114
Liabilities and Stockholders' Equity:		
Liabilities:		
Future policy benefits	\$ 5,361,580	\$ 5,264,608
Unearned premiums	730	912
Policy claims and other benefits payable	254,047	264,832
Other policyholders' funds	352,212	344,313
Notes payable	374,558	374,532
Surplus note	328,000	220,000
Income taxes	156,212	140,467
Other liabilities	367,337	392,810
Payable under securities lending	63,899	50,211

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Separate account liabilities	2,324,980	2,440,303
Commitments and contingent liabilities (see Commitments and Contingent Liabilities note)		
Total liabilities	9,583,555	9,492,988
Stockholders' equity:		
Common stock (\$0.01 par value; authorized 500,000 in 2015 and 2014; issued and		
outstanding 50,111 shares in 2015 and 52,169 shares in 2014)	501	522
Paid-in capital	259,937	353,337
Retained earnings	871,440	795,740
Accumulated other comprehensive income (loss), net of income tax:		
Unrealized foreign currency translation gains (losses)	4,467	21,681
Net unrealized investment gains (losses):		
Net unrealized investment gains not other-than-temporarily impaired	61,743	74,308
Net unrealized investment losses other-than-temporarily impaired	(462)	(462)
Total stockholders' equity	1,197,626	1,245,126
Total liabilities and stockholders' equity	\$ 10,781,181	\$ 10,738,114

See accompanying notes to condensed consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income – Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
(In thousands, except per-share amounts)				
Revenues:				
Direct premiums	\$588,248	\$576,740	\$1,165,707	\$1,144,945
Ceded premiums	(406,854)	(410,546)	(804,395)	(813,261)
Net premiums	181,394	166,194	361,312	331,684
Commissions and fees	139,150	132,039	271,985	258,970
Investment income net of investment expenses	21,782	21,681	45,431	43,280
Interest expense on surplus note	(2,707)	-	(5,182)	-
Net investment income	19,075	21,681	40,249	43,280
Realized investment gains (losses), including other-than-				
temporary impairment losses	597	831	1,881	1,094
Other, net	10,651	10,385	20,579	20,430
Total revenues	350,867	331,130	696,006	655,458
Benefits and expenses:				
Benefits and claims	82,521	72,412	165,021	147,604
Amortization of deferred policy acquisition costs	36,384	32,696	72,595	67,890
Sales commissions	71,499	67,364	139,956	132,485
Insurance expenses	29,094	28,192	63,736	56,694
Insurance commissions	4,145	3,881	7,334	7,964
Interest expense	8,642	8,552	17,316	17,159
Other operating expenses	41,757	42,293	86,413	83,089
Total benefits and expenses	274,042	255,390	552,371	512,885
Income from continuing operations before income taxes	76,825	75,740	143,635	142,573
Income taxes	27,652	26,469	51,062	49,816
Income from continuing operations	49,173	49,271	92,573	92,757
Income from discontinued operations, net of income taxes	-	-	-	1,595
Net income	\$49,173	\$49,271	\$92,573	\$94,352
Basic earnings per share:				
Continuing operations	\$0.94	\$0.89	\$1.76	\$1.66
Discontinued operations	-	-	-	0.03
Basic earnings per share	\$0.94	\$0.89	\$1.76	\$1.69
Diluted earnings per share:				
Continuing operations	\$0.94	\$0.89	\$1.76	\$1.66
Discontinued operations	-	-	-	0.03
Diluted earnings per share	\$0.94	\$0.89	\$1.76	\$1.69
Weighted-average shares used in computing earnings per share:				
Basic	51,787	54,927	52,212	55,075

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Diluted	51,812	54,950	52,249	55,097
Supplemental disclosures:				
Total impairment losses	\$(632)	\$(221)	\$(869)	\$(370)
Impairment losses recognized in other comprehensive income				
before income taxes	-	-	-	-
Net impairment losses recognized in earnings	(632)	(221)	(869)	(370)
Other net realized investment gains (losses)	1,229	1,052	2,750	1,464
Realized investment gains (losses), including other-than-				
temporary impairment losses	\$597	\$831	\$1,881	\$1,094
Dividends declared per share	\$0.16	\$0.12	\$0.32	\$0.24

See accompanying notes to condensed consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss) – Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Net income	\$49,173	\$49,271	\$92,573	\$94,352
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses):				
Change in unrealized holding gains/(losses) on investment				
securities	(32,720)	20,792	(17,059)	38,722
Reclassification adjustment for realized investment (gains)				
losses included in net income	(602)	(578)	(2,272)	(766)
Foreign currency translation adjustments:				
Change in unrealized foreign currency translation gains (losses)	3,157	8,444	(17,409)	(233)
Total other comprehensive income (loss) before income				
taxes	(30,165)	28,658	(36,740)	37,723
Income tax expense (benefit) related to items of other				
comprehensive income (loss)	(11,627)	7,173	(6,961)	13,277
Other comprehensive income (loss), net of income taxes	(18,538)	21,485	(29,779)	24,446
Total comprehensive income (loss)	\$30,635	\$70,756	\$62,794	\$118,798

See accompanying notes to condensed consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity – Unaudited

	Six months ended June 30,	
	2015	2014
	(In thousands)	
Common stock:		
Balance, beginning of period	\$522	\$548
Repurchases of common stock	(25)	(9)
Net issuance of common stock	4	3
Balance, end of period	501	542
Paid-in capital:		
Balance, beginning of period	353,337	472,633
Share-based compensation	22,231	17,068
Net issuance of common stock	(4)	(3)
Repurchases of common stock	(115,763)	(41,150)
Adjustments to paid-in capital, other	136	(599)
Balance, end of period	259,937	447,949
Retained earnings:		
Balance, beginning of period	795,740	640,840
Net income	92,573	94,352
Dividends	(16,873)	(13,404)
Balance, end of period	871,440	721,788
Accumulated other comprehensive income (loss):		
Balance, beginning of period	95,527	108,006
Change in foreign currency translation adjustment, net of income tax expense (benefit) of \$(195) in		
2015 and \$(8) in 2014	(17,214)	(225)
Change in net unrealized investment gains (losses) during the period, net of income taxes:		
Change in net unrealized investment gains (losses) not-other-than temporarily impaired, net of		
income tax expense (benefit) of \$(6,766) in 2015 and \$13,285 in 2014	(12,565)	24,671
Change in net unrealized investment losses other-than-temporarily impaired, net of income tax		
expense (benefit) of \$(0) in 2015 and 2014	-	-
Balance, end of period	65,748	132,452
Total stockholders' equity	\$1,197,626	\$1,302,731

See accompanying notes to condensed consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows – Unaudited

	Six months ended June 30,	
	2015	2014
	(In thousands)	
Cash flows from operating activities:		
Net income	\$92,573	\$94,352
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Change in future policy benefits and other policy liabilities	123,388	107,236
Deferral of policy acquisition costs	(158,581)	(146,313)
Amortization of deferred policy acquisition costs	72,595	67,890
Change in income taxes	27,522	14,348
Realized investment (gains) losses, including other-than-temporary impairments	(1,881)	(1,094)
Gain from sale of business, net	-	(1,595)
Accretion and amortization of investments	(984)	(1,009)
Depreciation and amortization	5,373	5,717
Change in due from reinsurers	(45,479)	(23,511)
Change in premiums and other receivables	(12,454)	(8,873)
Trading securities sold, matured, or called (acquired), net	(233)	3,721
Share-based compensation	10,858	5,836
Change in other operating assets and liabilities, net	(27,391)	(46,251)
Net cash provided by (used in) operating activities	85,306	70,454
Cash flows from investing activities:		
Available-for-sale investments sold, matured or called:		
Fixed-maturity securities — sold	63,584	46,163
Fixed-maturity securities — matured or called	148,730	163,038
Equity securities	1,920	188
Available-for-sale investments acquired:		
Fixed-maturity securities	(201,717)	(220,214)
Equity securities	(709)	(5,403)
Purchases of property and equipment and other investing activities, net	(4,956)	(4,177)
Proceeds from sale of business	-	3,000
Cash collateral received (returned) on loaned securities, net	13,687	3,717
Sales (purchases) of short-term investments using securities lending collateral, net	(13,687)	(3,717)
Net cash provided by (used in) investing activities	6,852	(17,405)
Cash flows from financing activities:		
Dividends paid	(16,873)	(13,404)
Common stock repurchased	(109,712)	(35,011)
Excess tax benefits on share-based compensation	4,259	3,792
Tax withholdings on share-based compensation	(6,076)	(6,148)
Cash proceeds from stock options exercised	136	-
Payments of deferred financing costs	-	(403)
Net cash provided by (used in) financing activities	(128,266)	(51,174)

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Effect of foreign exchange rate changes on cash	(2,475)	(443)
Change in cash and cash equivalents	(38,583)	1,432
Cash and cash equivalents, beginning of period	192,516	149,189
Cash and cash equivalents, end of period	\$153,933	\$150,621

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 distributor of financial products to middle income households in the United States and Canada. We assist our clients in meeting their needs for term life insurance, which we underwrite, and mutual funds, annuities and other financial products, which we distribute primarily on behalf of third parties. Our primary subsidiaries include the following entities: Primerica Financial Services, Inc. ("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 PFSL Investments Canada Ltd. ("PFSL Investments Canada"); and PFS Investments, Inc. ("PFS Investments"), an investment products company and broker-dealer. Primerica Life, domiciled in Massachusetts, owns National Benefit Life Insurance Company ("NBLIC"), a New York insurance company.

We have established Peach Re, Inc. ("Peach Re") and Vidalia Re, Inc. ("Vidalia Re") as 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 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 accompanying unaudited condensed consolidated financial statements contain all adjustments, generally consisting of normal recurring accruals, which are necessary to fairly present the balance sheets as of June 30, 2015 and December 31, 2014, the statements of income and comprehensive income (loss) for the three and six months ended June 30, 2015 and 2014, and the statements of stockholders' equity and cash flows for the six months ended June 30, 2015 and 2014. 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, 2014 ("2014 Annual Report").

Use of Estimates. 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"), liabilities for future policy benefits and unpaid policy claims, 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 applicable accounting standards. 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.

Subsequent Events. The Company has evaluated subsequent events for recognition and disclosure for occurrences and transactions after the date of the unaudited condensed consolidated financial statements dated as of June 30, 2015.

Significant Accounting Policies. All significant accounting policies remain unchanged from the 2014 Annual Report.

New Accounting Principles. In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest — Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). Debt issuance costs related to a recognized debt liability are currently presented as a deferred charge, or asset, within the balance sheet. ASU 2015-03 requires the presentation of debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments in ASU 2015-03 are effective retrospectively for the Company beginning in fiscal year 2016, with early adoption permitted. The Company intends to adopt the amendments in ASU 2015-03 beginning in the first quarter of 2016. At June 30, 2015, the Company had debt issuance costs related to recognized liabilities of approximately \$3.0 million within Other assets on our unaudited condensed consolidated balance sheets that would be reclassified and presented as a direct deduction from the carrying amount of debt liabilities under ASU 2015-03.

Future Application of Accounting Standards. Recent accounting guidance not discussed is not applicable, is immaterial to our 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.

Results of continuing operations by segment were as follows:

	Three months ended		Six months ended	
	June 30, 2015	2014	June 30, 2015	2014
	(In thousands)			
Revenues:				
Term life insurance segment	\$201,433	\$184,366	\$399,798	\$367,346
Investment and savings products segment	135,081	128,148	264,155	251,418
Corporate and other distributed products segment	14,353	18,616	32,053	36,694
Total revenues	\$350,867	\$331,130	\$696,006	\$655,458
Income (loss) from continuing operations before income taxes:				
Term life insurance segment	\$57,286	\$55,070	\$105,107	\$102,274
Investment and savings products segment	37,746	36,048	72,789	70,075
Corporate and other distributed products segment	(18,207)	(15,378)	(34,261)	(29,776)
Total income from continuing operations before income taxes	\$76,825	\$75,740	\$143,635	\$142,573

Total assets by segment were as follows:

	June 30, 2015	December 31, 2014
	(In thousands)	
Assets:		
Term life insurance segment	\$7,429,104	\$7,165,373
Investment and savings products segment	2,432,875	2,545,372
Corporate and other distributed products segment	919,202	1,027,369
Total assets	\$10,781,181	\$10,738,114

The Investment and Savings Products segment includes assets held in separate accounts. Excluding separate accounts, the Investment and Savings Products segment assets were approximately \$108.3 million and \$105.5 million as of June 30, 2015 and December 31, 2014, respectively.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this report for more information regarding our operating segments.

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

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	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Revenues by country:				
United States	\$291,808	\$270,923	\$577,949	\$533,127
Canada	59,059	60,207	118,057	122,331
Total revenues	\$350,867	\$331,130	\$696,006	\$655,458
Income from continuing operations before income taxes by country:				
United States	\$60,199	\$56,619	\$109,055	\$105,532
Canada	16,626	19,121	34,580	37,041
Total income from continuing operations before income taxes	\$76,825	\$75,740	\$143,635	\$142,573

	June 30,	December
	2015	31, 2014
	(In thousands)	
Long-lived assets by country:		
United States	\$26,901	\$25,897
Canada	596	566
Total long-lived assets	\$27,497	\$26,463

(3) Investments

Available-for-sale Securities. The period-end cost or amortized cost, gross unrealized gains and losses, and fair value of available-for-sale fixed-maturity and equity securities follow:

	June 30, 2015			
	Cost or amortized cost (In thousands)	Gross unrealized gains	Gross unrealized losses	Fair value
Securities available-for-sale, carried at fair value:				
Fixed-maturity securities:				
U.S. government and agencies	\$ 13,659	\$ 526	\$ (19)	\$ 14,166
Foreign government	122,882	3,772	(7,841)	118,813
States and political subdivisions	36,968	2,434	(573)	38,829
Corporates	1,252,878	68,356	(12,394)	1,308,840
Mortgage- and asset-backed securities	232,691	11,713	(309)	244,095
Total fixed-maturity securities ⁽¹⁾	1,659,078	86,801	(21,136)	1,724,743
Equity securities	42,577	8,689	(1,305)	49,961
Total fixed-maturity and equity securities	\$ 1,701,655	\$ 95,490	\$ (22,441)	\$ 1,774,704

⁽¹⁾Includes approximately \$0.7 million of other-than-temporary impairment losses related to corporates and mortgage- and asset-backed securities recognized in accumulated other comprehensive income.

	December 31, 2014			
	Cost or amortized cost (In thousands)	Gross unrealized gains	Gross unrealized losses	Fair value
Securities available-for-sale, carried at fair value:				
Fixed-maturity securities:				
U.S. government and agencies	\$ 15,145	\$ 557	\$ (55)	\$ 15,647
Foreign government	120,910	5,388	(3,801)	122,497
States and political subdivisions	38,163	2,719	(188)	40,694
Corporates	1,241,526	82,167	(7,825)	1,315,868
Mortgage- and asset-backed securities	251,756	13,050	(392)	264,414
Total fixed-maturity securities ⁽¹⁾	1,667,500	103,881	(12,261)	1,759,120
Equity securities	43,738	10,711	(1,059)	53,390
Total fixed-maturity and equity securities	\$ 1,711,238	\$ 114,592	\$ (13,320)	\$ 1,812,510

⁽¹⁾Includes approximately \$0.7 million of other-than-temporary impairment losses related to corporates and mortgage- and asset-backed securities recognized in accumulated other comprehensive income.

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 contractual maturity distribution of the available-for-sale fixed-maturity portfolio at June 30, 2015 follows:

	Amortized cost	Fair value
	(In thousands)	
Due in one year or less	\$99,484	\$99,112
Due after one year through five years	609,019	648,704
Due after five years through 10 years	666,516	680,101
Due after 10 years	51,368	52,731
	1,426,387	1,480,648
Mortgage- and asset-backed securities	232,691	244,095
Total fixed-maturity securities	\$1,659,078	\$1,724,743

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

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

	June 30, 2015	December 31, 2014
	(In thousands)	
Net unrealized investment gains including foreign currency translation adjustment and other-than-temporary impairments:		
Fixed-maturity and equity securities	\$73,049	\$ 101,272
Currency swaps	-	23
Exclude unrealized foreign currency translation (gains) losses adjustment	21,229	12,314
Exclude other-than-temporary impairments	710	710
Net unrealized investment gains excluding foreign currency translation adjustment and other-than-temporary impairments	94,988	114,319
Deferred income taxes	(33,245)	(40,011)
Net unrealized investment gains excluding foreign currency translation adjustment and other-than-temporary impairments, net of tax	\$61,743	\$74,308

Trading Securities. We maintain a portfolio of fixed-maturity securities that are classified as trading securities. The carrying values of the fixed-maturity securities classified as trading securities were approximately \$7.9 million and \$7.7 million as of June 30, 2015 and December 31, 2014, respectively.

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, 2029 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 variable interest entity as its owner does not have an equity investment at risk that is sufficient to permit the LLC to finance its activities without Vidalia Re or Hannover Re. The Parent Company, Primerica Life, and Vidalia Re share the power to direct the activities of the LLC with Hannover Re, but do not have the obligation to absorb losses or the right to receive any residual returns related to the LLC's primary risks or sources of variability. Through the credit enhancement feature, Hannover Re is the ultimate risk taker in this transaction and bears the obligation to absorb the LLC's losses in the event of a Surplus Note default in exchange for the fee. Accordingly, the Company is not the primary beneficiary of the LLC and does not consolidate the LLC within its consolidated financial statements.

The LLC Note is classified as a held-to-maturity debt security in the Company's invested asset portfolio as we have the positive intent and ability to hold the security until maturity. As of June 30, 2015, the LLC Note, which was rated AA- by Fitch Ratings, had an estimated unrealized holding gain of \$2.3 million based on its amortized cost and estimated fair value, which is derived using the valuation techniques described in Note 4 (Fair Value of Financial Instruments).

See Note 6 (Debt) for more information on the Surplus Note.

Investments on Deposit with Governmental Authorities. As required by law, we have investments on deposit with governmental authorities and banks for the protection of policyholders. The fair values of investments on deposit were approximately \$18.1 million and \$19.9 million as of June 30, 2015 and December 31, 2014, 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 approximately \$63.9 million and \$50.2 million as of June 30, 2015 and December 31, 2014, respectively.

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Fixed-maturity securities (available-for-sale)	\$19,551	\$20,454	\$39,346	\$41,486
Fixed-maturity security (held-to-maturity)	2,707	-	5,182	-
Equity securities	503	471	1,019	856
Policy loans and other invested assets	337	398	695	786
Cash and cash equivalents	47	68	90	121
Market return on deposit asset underlying 10% coinsurance agreement	(116)	1,490	1,556	2,443
Gross investment income	23,029	22,881	47,888	45,692
Investment expenses	(1,247)	(1,200)	(2,457)	(2,412)
Investment income net of investment expenses	21,782	21,681	45,431	43,280
Interest expense on surplus note	(2,707)	-	(5,182)	-
Net investment income	\$19,075	\$21,681	\$40,249	\$43,280

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Net realized investment gains (losses):				
Gross gains from sales	\$1,466	\$838	\$3,400	\$1,181
Gross losses from sales	(232)	(39)	(259)	(45)
Other-than-temporary impairment losses	(632)	(221)	(869)	(370)
Gains (losses) from bifurcated options	(5)	253	(391)	328
Net realized investment gains (losses)	\$597	\$831	\$1,881	\$1,094
Supplemental information:				
Gross realized investment gains (losses) reclassified from				
accumulated other comprehensive income into earnings	\$602	\$578	\$2,272	\$766
Tax expense (benefit) associated with realized investment gains (losses) reclassified from accumulated other comprehensive income into earnings	\$211	\$202	\$795	\$268
Proceeds from sales or other redemptions	\$116,318	\$96,511	\$214,234	\$209,389

Other-Than-Temporary Impairment. We conduct a review each quarter to identify and evaluate impaired investments that have indications of possible other-than-temporary impairment ("OTTI"). An investment in a debt or equity security is impaired if its fair value falls below its cost. Factors considered in determining whether an unrealized loss

is temporary include the length of time and extent to which fair value has been below cost, the financial condition and near-term prospects for the issue, and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery, which may be maturity for fixed-maturity securities or within a reasonable period of time for equity securities. For additional information, see Note 4 (Investments) to the consolidated financial statements in our 2014 Annual Report.

Available-for-sale fixed-maturity and equity securities with a cost basis in excess of their fair values were approximately \$442.9 million and \$340.8 million as of June 30, 2015 and December 31, 2014, respectively.

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

	June 30, 2015			12 months or longer		
	Fair value	Unrealized losses	Number of securities	Fair value	Unrealized losses	Number of securities
	(Dollars in thousands)					
Fixed-maturity securities:						
U.S. government and agencies	\$676	\$(19)	1	\$-	\$-	-
Foreign government	45,747	(3,347)	43	24,365	(4,494)	43
States and political subdivisions	2,967	(32)	3	838	(541)	2
Corporates	256,824	(6,927)	260	40,853	(5,467)	62
Mortgage-and asset-backed securities	31,028	(193)	34	8,263	(116)	13
Total fixed-maturity securities	337,242	(10,518)		74,319	(10,618)	
Equity securities	7,530	(1,230)	18	1,368	(75)	5
Total fixed-maturity and equity securities	\$344,772	\$(11,748)		\$75,687	\$(10,693)	

	December 31, 2014					
	Less than 12 months			12 months or longer		
	Fair value	Unrealized losses	Number of securities	Fair value	Unrealized losses	Number of securities
(Dollars in thousands)						
Fixed-maturity securities:						
U.S. government and agencies	\$7,201	\$ (1)	2	\$896	\$ (54)	2
Foreign government	28,038	(1,317)	35	23,330	(2,484)	40
States and political subdivisions	1,694	(4)	3	2,720	(184)	4
Corporates	144,262	(3,818)	153	43,736	(4,007)	78
Mortgage-and asset-backed securities	49,591	(109)	43	16,847	(283)	20
Total fixed-maturity securities	230,786	(5,249)		87,529	(7,012)	
Equity securities	6,849	(862)	15	2,303	(197)	1
Total fixed-maturity and equity securities	\$237,635	\$ (6,111)		\$89,832	\$ (7,209)	

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

	June 30, 2015		December 31, 2014	
	Amortized cost	Fair value	Amortized cost	Fair value
(In thousands)				
Fixed-maturity securities in default	\$133	\$512	\$144	\$611

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

	Three months ended June 30, 2015		Six months ended June 30, 2014	
	2015	2014	2015	2014
(In thousands)				
Impairments on fixed-maturity securities not in default	\$627	\$221	\$788	\$370
Impairments on fixed-maturity securities in default	5	-	5	-
Impairments on equity securities	-	-	76	-
Total impairment charges	\$632	\$221	\$869	\$370

The securities noted above were considered to be other-than-temporarily impaired due to our intent to sell them; adverse credit events, such as news of an impending filing for bankruptcy; analyses of the issuer's most recent financial statements or other information in which liquidity deficiencies, significant losses and large declines in capitalization were evident; or analyses of rating agency information for issuances with severe ratings downgrades

that indicated a significant increase in the possibility of default.

As of June 30, 2015, the unrealized losses on our available-for-sale invested asset portfolio were largely caused by interest rate sensitivity, changes in credit spreads, and foreign currency exchange rates on our Canadian dollar-denominated investments held by our Canadian subsidiaries. We believe that fluctuations caused by movements in interest rates and credit spreads have little bearing on the recoverability of our investments. We do not consider these investments to be other-than-temporarily impaired because we have the ability to hold these investments until maturity or a market price recovery, and we have no present intention to dispose of them. The foreign currency translation adjustments on Canadian dollar-denominated investments will fluctuate with the Canadian dollar exchange rate and have no impact on the recoverability of our Canadian subsidiaries' functional currency investments.

Net impairment losses recognized in earnings for available-for-sale securities were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Total impairment losses 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	\$8	\$-	\$101	\$-
Less portion of OTTI loss recognized in accumulated other comprehensive income (loss)	-	-	-	-
Net impairment losses 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	8	-	101	-
OTTI losses recognized in earnings for securities which the Company intends to sell or more-likely-than-not will be required to sell before recovery	624	221	768	370
Net impairment losses recognized in earnings	\$632	\$221	\$869	\$370

The rollforward of the credit-related losses recognized in income for all available-for-sale fixed-maturity securities still held follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Cumulative OTTI credit losses recognized for securities still held, beginning of period	\$7,478	\$8,077	\$9,550	\$7,970
Additions for OTTI securities where no credit losses were recognized prior to the beginning of the period	46	192	67	341
Additions for OTTI securities where credit losses have been recognized prior to the beginning of the period	586	29	726	29
Reductions due to sales, maturities, calls, amortization or increases in cash flows expected to be collected over the remaining life of credit impaired securities	(409)	(553)	(1,365)	(595)
Reductions for exchanges of securities previously impaired	-	-	(1,277)	-
Cumulative OTTI credit losses recognized for securities still held, end of period	\$7,701	\$7,745	\$7,701	\$7,745

As of June 30, 2015, no impairment losses have been recognized on the LLC Note held-to-maturity security.

Derivatives. Embedded conversion options associated with fixed-maturity securities are bifurcated from the fixed-maturity security host contracts and separately recognized as equity securities. The change in fair value of these bifurcated conversion options is reflected in realized investment gains (losses), including OTTI losses. As of June 30, 2015 and December 31, 2014, the fair value of these bifurcated options was approximately \$4.5 million and \$5.8 million, respectively.

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 approximately \$26.4 million as of June 30, 2015 and December 31, 2014. While we have no current intention to do so, these deferred losses will not be recognized until such time as we sell or substantially liquidate our Canadian operations.

(4) Fair Value of Financial Instruments

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

carried at fair value in one of the following three categories:

- Level 1. Quoted prices for identical instruments in active markets. Level 1 primarily consists of financial instruments whose value is based on quoted market prices in active markets, such as exchange-traded common stocks and actively traded mutual fund investments;
- Level 2. Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 includes those financial instruments that are valued using industry-standard pricing methodologies, models or other valuation methodologies. Various inputs are considered in deriving the fair value of the underlying financial instrument, including interest rate, credit spread, and foreign exchange rates. All significant inputs are observable, or derived from observable information in the marketplace or are supported by observable levels at which transactions are executed in the marketplace. Financial instruments in this category primarily include: certain public and private corporate fixed-maturity and equity securities; government or agency securities; certain mortgage- and asset-backed securities and bifurcated conversion options; and
- Level 3. Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Level 3 consists of financial instruments whose fair value is estimated based on industry-standard pricing methodologies and models using significant inputs not based on, nor corroborated by, readily available market information. Valuations for this category primarily consist of non-binding broker quotes. Financial instruments in this category primarily include less liquid fixed-maturity corporate securities.

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

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

	June 30, 2015			Total
	Level 1	Level 2	Level 3	
	(In thousands)			
Fair value assets:				
Available-for-sale fixed-maturity securities:				
U.S. government and agencies	\$-	\$14,166	\$-	\$14,166
Foreign government	-	118,813	-	118,813
States and political subdivisions	-	38,829	-	38,829
Corporates	2,071	1,306,766	3	1,308,840
Mortgage- and asset-backed securities	-	243,285	810	244,095
Total available-for-sale fixed-maturity securities	2,071	1,721,859	813	1,724,743
Equity securities	44,282	5,630	49	49,961
Trading securities	-	7,927	-	7,927
Separate accounts	-	2,324,980	-	2,324,980
Total fair value assets	\$46,353	\$4,060,396	\$862	\$4,107,611
Fair value liabilities:				
Separate accounts	\$-	\$2,324,980	\$-	\$2,324,980
Total fair value liabilities	\$-	\$2,324,980	\$-	\$2,324,980

	December 31, 2014			Total
	Level 1	Level 2	Level 3	
	(In thousands)			
Fair value assets:				
Available-for-sale fixed-maturity securities:				
U.S. government and agencies	\$-	\$15,647	\$-	\$15,647
Foreign government	-	122,497	-	122,497
States and political subdivisions	-	40,694	-	40,694
Corporates	2,104	1,313,534	230	1,315,868
Mortgage- and asset-backed securities	-	263,527	887	264,414
Total available-for-sale fixed-maturity securities	2,104	1,755,899	1,117	1,759,120
Equity securities	47,169	6,173	48	53,390
Trading securities	-	7,711	-	7,711
Separate accounts	-	2,440,303	-	2,440,303
Total fair value assets	\$49,273	\$4,210,086	\$1,165	\$4,260,524
Fair value liabilities:				
Separate accounts	\$-	\$2,440,303	\$-	\$2,440,303
Total fair value liabilities	\$-	\$2,440,303	\$-	\$2,440,303

In assessing fair value of our investments, we use a third-party pricing service for approximately 95% of our securities that are measured at fair value on a recurring basis. The remaining securities are primarily thinly traded securities valued using models based on observable inputs on public corporate spreads having similar characteristics (e.g., sector, average life and quality rating) and liquidity and yield based on quality rating, average life and treasury yields.

All observable data inputs are corroborated by independent third-party data. In the absence of sufficient observable inputs, we utilize non-binding broker quotes, which are reflected in our Level 3 classification as we are unable to evaluate the valuation technique(s) or significant inputs used to develop the quotes. Therefore, we do not internally develop the quantitative unobservable inputs used in measuring the fair value of Level 3 investments. However, we do corroborate pricing information provided by our third-party pricing servicing by performing a review of selected securities. Our review activities include obtaining detailed information about the assumptions, inputs and methodologies used in pricing the security; documenting this information; and corroborating it by comparison to independently obtained prices and or independently developed pricing methodologies.

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

Because many fixed-maturity securities do not trade on a daily basis, fair value is determined using industry-standard methodologies by applying available market information through processes such as U.S. Treasury curves, benchmarking of similar securities, sector groupings, quotes from market participants and matrix pricing. Observable information is compiled and integrates relevant credit

information, perceived market movements and sector news. Additionally, security prices are periodically back-tested to validate and/or refine models as conditions warrant. Market indicators and industry and economic events are also monitored as triggers to obtain additional data. For certain structured securities with limited trading activity, industry-standard pricing methodologies use adjusted market information, such as index prices or discounting expected future cash flows, to estimate fair value. If these measures are not deemed observable for a particular security, the security will be classified as Level 3 in the fair value hierarchy.

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

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

	Three months ended June 30, 2015		Six months ended June 30, 2014	
	2015	2014	2015	2014
	(In thousands)			
Level 3 assets, beginning of period	\$1,134	\$2,356	\$1,165	\$2,288
Net unrealized gains (losses) included in other comprehensive				
income	(12)	(222)	(6)	(102)
Realized gains (losses) and accretion (amortization) recognized in				
earnings, including OTTI	-	411	-	411
Settlements	(39)	(793)	(76)	(845)
Transfers into Level 3	2	-	2	-
Transfers out of Level 3	(223)	-	(223)	-
Level 3 assets, end of period	\$862	\$1,752	\$862	\$1,752

We obtain independent pricing quotes based on observable inputs as of the end of the reporting period for all securities in Level 2. Those inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, market bids/offers, quoted prices for similar instruments in markets that are not active, and other relevant data. We monitor these inputs for market indicators, industry and economic events. We recognize transfers into new levels and out of previous levels as of the end of the reporting period, including interim reporting periods, as applicable. During the three and six months ended June 30, 2015, we transferred a \$1.0 million equity security from Level 1 to Level 2 as it was not consistently trading in an active market. There were no material transfers between Level 1 and Level 2 during the three and six months ended June 30, 2014 and between Level 1 and Level 3 during the three and six months ended June 30, 2015 and 2014. During the three and six months ended June 30, 2015, a fixed-maturity security was transferred from Level 3 to Level 2 as we were able to obtain an independent pricing quote based on observable inputs for this security.

The table below is a summary of the estimated fair value for financial instruments.

June 30, 2015

December 31, 2014

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	Carrying value (In thousands)	Estimated fair value	Carrying value	Estimated fair value
Assets:				
Fixed-maturity securities (available-for-sale)	\$1,724,743	\$1,724,743	\$1,759,120	\$1,759,120
Fixed-maturity security (held-to-maturity)	328,000	330,338	220,000	228,809
Equity securities	49,961	49,961	53,390	53,390
Trading securities	7,927	7,927	7,711	7,711
Policy loans	29,112	29,112	28,095	28,095
Deposit asset underlying 10% coinsurance agreement	168,917	168,917	157,256	157,256
Separate accounts	2,324,980	2,324,980	2,440,303	2,440,303
Liabilities:				
Notes payable	\$374,558	\$400,755	\$374,532	\$411,916
Surplus note	328,000	324,865	220,000	227,127
Separate accounts	2,324,980	2,324,980	2,440,303	2,440,303

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.

Recurring fair value measurements. Estimated fair values of investments in available-for-sale fixed-maturity securities are principally a function of current spreads and interest rates that are corroborated by independent third-party data. Therefore, the fair values presented are indicative of amounts we could realize or settle at the respective balance sheet date. We do not necessarily intend to dispose of or liquidate such instruments prior to maturity. Trading securities, which primarily consist of fixed-maturity securities,

are carried at fair value. Equity securities, including common and 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.

Nonrecurring fair value measurements. The estimated fair value of the held-to-maturity fixed-maturity security, which is classified as a Level 3 fair value measurement, is derived using the credit spread on similarly rated debt securities and the hypothetical spread of the security's credit enhancement feature. Policy loans, which are categorized as Level 3 fair value measurements, are carried at the unpaid principal balances. The fair value of policy loans approximate the unpaid principal balances as the timing of repayment is uncertain and the loans are collateralized by the amount of the policy. The deposit asset underlying the 10% coinsurance agreement with Prime Reinsurance Company, Inc. ("Prime Re"), an affiliate of Citigroup Inc. ("Citigroup"), represents the value of the assets necessary to back the economic reserves held in support of the reinsurance agreement. The carrying value of this deposit asset approximates fair value, which is categorized as Level 3 in the fair value hierarchy. Notes payable represent our publicly-traded senior notes and are valued as a Level 2 fair value measurement using the quoted market price for our notes. The estimated fair value of the Surplus Note is derived by using an assumed credit spread we would expect if Vidalia Re was a credit-rated entity and the hypothetical spread of the Surplus Note's subordinated structure. The Surplus Note is classified as a Level 3 fair value measurement.

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

(5) Reinsurance

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

Details on in-force life insurance follow:

	June 30, 2015	December 31, 2014
	(Dollars in thousands)	
Direct life insurance in force	\$692,052,702	\$685,998,013
Amounts ceded to other companies	(611,864,913)	(607,218,906)
Net life insurance in force	\$80,187,789	\$78,779,107
Percentage of reinsured life insurance in force	88	% 89

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

	June 30, 2015		December 31, 2014	
	Reinsurance receivable	A.M. Best rating	Reinsurance receivable	A.M. Best rating
	(In thousands)			
Prime Reinsurance Company ⁽¹⁾	\$2,685,774	NR	\$2,645,011	NR
SCOR Global Life Reinsurance Companies ⁽²⁾	369,800	A	373,947	A
Financial Reassurance Company 2010, Ltd. ⁽¹⁾	300,809	NR	320,718	NR
Swiss Re Life & Health America Inc. ⁽³⁾	255,015	A+	260,734	A+
American Health and Life Insurance Company ⁽¹⁾	176,808	A- u	175,755	A-

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Munich American Reassurance Company	102,457	A+	100,846	A+
Korean Reinsurance Company	89,967	A	89,300	A
RGA Reinsurance Company	81,510	A+	78,143	A+
TOA Reinsurance Company	20,994	A+	20,139	A+
Hannover Life Reassurance Company	19,908	A+	18,694	A+
All other reinsurers	34,383	-	32,246	-
Due from reinsurers	\$4,137,425		\$4,115,533	

NR – not rated

u Under review pending the close of Springleaf Holdings, Inc.'s acquisition of the parent company of American Health and Life Insurance Company from an affiliate of Citigroup.

(1) Reinsurers are affiliates of Citigroup. Amounts shown are net of their share of the reinsurance receivable from other reinsurers.

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

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

(6) Debt

Notes Payable. At June 30, 2015, the Company had \$375.0 million of publicly-traded, senior unsecured notes with an annual interest rate of 4.75% that are scheduled to mature on July 15, 2022 (the "Senior Notes"). As of June 30, 2015, we were in compliance with the covenants of the Senior Notes. No events of default occurred on the Senior Notes during the three months ended June 30, 2015.

Further discussion on the Company's notes payable is included in Note 10 (Debt) to our consolidated financial statements within our 2014 Annual Report.

Surplus Note. At June 30, 2015, the principal amount outstanding on the Surplus Note issued by Vidalia Re was \$328.0 million, equal to the principal amount of the LLC Note invested asset. The principal amount of the Surplus Note and the LLC Note will fluctuate over time to coincide with the amount of reserves being contractually supported. Both the LLC Note and the Surplus Note mature on December 31, 2029 and bear interest at an annual interest rate of 4.50%. Based on the estimated reserves for ceded policies issued in 2011, 2012, 2013, and 2014, the maximum principal amounts of the Surplus Note and the LLC Note are expected to be approximately \$915.0 million each.

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 2014 Annual Report.

(7) Stockholders' Equity

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

	Six months ended June 30,	
	2015	2014
	(In thousands)	
Common stock, beginning of period	52,169	54,834
Shares issued for stock options exercised	89	4
Shares of common stock issued upon lapse of restricted stock units ("RSUs")	312	269
Common stock retired	(2,459)	(913)
Common stock, end of period	50,111	54,194

The above reconciliation excludes RSUs, which do not have voting rights. As the RSUs lapse, we issue common shares with voting rights. As of June 30, 2015, we had a total of approximately 1.2 million RSUs outstanding.

Our Board of Directors authorized a share repurchase program for up to \$150.0 million of our outstanding common stock during 2015 (the "share repurchase program"). Under the share repurchase program, we repurchased 2,286,464 shares of our common stock in open market transactions for an aggregate purchase price of approximately \$109.7 million during the first six months of 2015. As of June 30, 2015, there is approximately \$40.3 million remaining for repurchases of our outstanding common stock under the share repurchase program.

(8) Earnings Per Share

The Company has outstanding common stock and equity awards that consist of restricted stock, RSUs and stock options. The restricted stock and 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 restricted stock and 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 (excluding unvested restricted stock) 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 any dividends and undistributed earnings allocated to unvested restricted stock and unvested RSUs from net income 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 stock options outstanding on EPS using the treasury-stock method. Under this method, we determine the proceeds that would be received from the exercise of the stock options outstanding, which includes cash received for the exercise price, the remaining unrecognized stock option compensation expense and the resulting effect on the income tax deduction from the exercise of stock options. We then use the average market price of our common shares during the period the stock options were outstanding to determine how many shares we could repurchase with the proceeds raised from the exercise of the stock options outstanding. 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 follows.

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(In thousands, except per-share amounts)			
Basic EPS:				
Numerator (continuing operations):				
Income from continuing operations	\$49,173	\$49,271	\$92,573	\$92,757
Income attributable to unvested participating securities	(366)	(542)	(814)	(1,102)
Income from continuing operations used in calculating basic				
EPS	\$48,807	\$48,729	\$91,759	\$91,655
Numerator (discontinued operations):				
Income from discontinued operations	\$-	\$-	\$-	\$1,595
Income attributable to unvested participating securities	-	-	-	(20)
Income from discontinued operations used in calculating basic				
EPS	\$-	\$-	\$-	\$1,575
Denominator:				
Weighted-average vested shares	51,787	54,927	52,212	55,075
Basic EPS from continuing operations	\$0.94	\$0.89	\$1.76	\$1.66
Basic EPS from discontinued operations	\$-	\$-	\$-	\$0.03
Diluted EPS:				
Numerator (continuing operations):				
Income from continuing operations	\$49,173	\$49,271	\$92,573	\$92,757
Income attributable to unvested participating securities	(366)	(542)	(813)	(1,102)
Income from continuing operations used in calculating diluted				
EPS	\$48,807	\$48,729	\$91,760	\$91,655
Numerator (discontinued operations):				
Income from discontinued operations	\$-	\$-	\$-	\$1,595
Income attributable to unvested participating securities	-	-	-	(20)
Income from discontinued operations used in calculating				
diluted EPS	\$-	\$-	\$-	\$1,575
Denominator:				
Weighted-average vested shares	51,787	54,927	52,212	55,075
Dilutive effect of incremental shares to be issued for equity				
awards	25	23	37	22
Weighted-average shares used in calculating diluted EPS	51,812	54,950	52,249	55,097
Diluted EPS from continuing operations	\$0.94	\$0.89	\$1.76	\$1.66
Diluted EPS from discontinued operations	\$-	\$-	\$-	\$0.03

(9) Share-Based Transactions

The Company has outstanding equity awards under its Omnibus Incentive Plan ("OIP"). The OIP provides for the issuance of equity awards, including stock options, stock appreciation rights, restricted stock, deferred stock, RSUs, unrestricted stock, as well as cash-based awards. In addition to time-based vesting requirements, awards granted under the OIP also may be subject to specified performance criteria. Since 2010, the Company has issued equity awards to our management (officers and other key employees), non-employee directors, and sales force leaders under the OIP. For more information on equity awards granted under the OIP, see Note 14 (Share-Based Transactions) to our consolidated financial statements within our 2014 Annual Report.

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

The impacts of equity awards granted are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Total equity awards expense recognized	\$1,917	\$2,988	\$10,858	\$5,836
Quarterly incentive awards expense deferred	4,207	3,543	7,114	7,330

On February 23, 2015, the Compensation Committee of the Board of Directors granted equity awards to management (the "2015 management awards") in connection with the annual approval of management incentive compensation. The 2015 management awards have time-based vesting requirements with equal and annual graded vesting over approximately three years subsequent to the grant date and include a provision for such awards to vest upon the 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. We recognize the expense associated with equity awards granted to retirement eligible employees immediately on the grant date, which is also the date the award is authorized. For equity awards granted to employees who are not retirement eligible on the grant date, the expense associated with these awards is recognized over the period from the grant date to the earlier of the date the employee becomes retirement eligible or the originally scheduled vesting date in the award agreement. Equity awards issued to management prior to 2015 do not contain a retirement eligibility provision, with the exception of equity awards issued to management in 2014 that were modified to include such a provision during the third quarter of 2014.

(10) Commitments and Contingent Liabilities

Letter of Credit. Peach Re maintains a credit facility agreement with Deutsche Bank (the "Credit Facility Agreement") to support certain obligations for a portion of the 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 ending on January 15, 2026. As of June 30, 2015, the Company was in compliance with all financial covenants under the Credit Facility Agreement. At June 30, 2015, the amount of the LOC outstanding was approximately \$491.9 million. This amount will decline over the remaining term of the LOC to correspond with declines in the Regulation XXX reserves.

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 2014 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.

The Company is currently undergoing targeted multi-state treasurer audits by 30 jurisdictions with respect to unclaimed property laws, and Primerica Life and NBLIC are currently subject to a targeted multi-state market conduct examination with respect to their claims-paying practices. The Treasurer of the State of West Virginia brought a suit against Primerica Life and other insurance companies alleging violations of the West Virginia unclaimed property act. The suit was dismissed, and the Treasurer has appealed. The Supreme Court of Appeals of West Virginia reversed and remanded the trial court's dismissal of the suit and the Company has filed for rehearing. Other jurisdictions may pursue similar audits, examinations and litigation. The audits, examinations and litigation are expected to take significant time to complete, and it is unclear whether the Company will ultimately be required to compare the Social Security Administration's Death Master File to its records for periods prior to 2011, including with respect to policies which have lapsed, to determine whether benefits are owed in instances where an insured appears to have died but no claim for death benefits has been made. The potential outcome of such actions is difficult to predict but could subject the Company to adverse consequences, including, but not limited to, settlement payments, additional payments to beneficiaries and additional escheatment of funds deemed abandoned under state laws. At this time, the Company cannot reasonably estimate the likelihood or the impact of additional costs or liabilities that could result from the resolution of these matters. These actions may also result in changes to the Company's procedures for the

identification and escheatment of abandoned property and other financial liability.

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, 2014 to June 30, 2015. 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, 2014 ("2014 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 2014 Annual Report. Actual results may differ materially from those contained in any forward-looking statements.

This MD&A is divided into the following sections:

- Business Overview
- Business Trends and Conditions
- Factors Affecting Our Results
- Critical Accounting Estimates

- Results of Operations
 - Financial Condition
 - Liquidity and Capital Resources
- Business Overview

We are a leading distributor of financial products to middle income households in the United States and Canada. We assist our clients in meeting their needs for term life insurance, which we underwrite, and mutual funds, annuities and other financial products, which we distribute primarily on behalf of third parties. 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 originate 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”). Our in-force term 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 are guaranteed to remain level during the initial term period (up to a maximum of 20 years in the United States), 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 fund and managed accounts products and variable and fixed annuity products of several third-party companies. 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 various insurance products underwritten by NBLIC, prepaid legal services, and other financial products. These products, except for various insurance products underwritten by NBLIC, are distributed pursuant to distribution arrangements with third parties through our independent agent sales force.

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 Primerica 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. The effects of these trends and conditions are discussed in the Results of Operations section below.

Size of Our Independent Sales Force.

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

Regulatory changes can also impact the size of our independent sales force. The insurance regulators in the Canadian provinces and territories entered into a Memorandum of Understanding and related agreements to implement a new life insurance licensing examination program across Canada in early 2016. If the licensing program is implemented under the terms set forth in the agreements, we believe it could significantly decrease the ability of applicants to obtain their life insurance licenses in Canada. At this time, we cannot quantify the impact of the new licensing program on us. However, we are hopeful that the regulators will agree to modify the program to mitigate the potential for any such decline. Further, we believe that, as a licensing examination course provider, we will be able to adapt and assist applicants to obtain their life insurance licenses in Canada. See "Part II — Other Information — Item 1. Legal Proceedings." and "Item 1A. Risk Factors." contained in our Annual Report on Form 10-K for the year ended December 31, 2014 for more information.

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
New recruits	60,246	50,024	113,546	98,330
New life-licensed sales representatives	10,439	9,082	17,925	16,529

New recruits increased during the three months ended June 30, 2015 compared to the prior year period primarily due to continued positive momentum in the business as well as extensive competitions to receive recognition at our biennial convention in July 2015. New life-licensed representatives increased during the three months ended June 30, 2015 compared to the prior year period primarily due to recruiting growth in recent periods and the continued positive momentum generated by our independent sales force leading into our biennial convention.

New recruits increased during the six months ended June 30, 2015 compared to the prior year period primarily due to competitions among our sales representatives to receive recognition at our biennial convention in July 2015, as well as the positive impact of short-term incentive programs during the first quarter of 2015. New life-licensed representatives increased during the six months ended June 30, 2015 compared to the prior year period primarily due to the same factors as new life-licensed representatives discussed above in the three-month comparison.

The size of our life-licensed insurance sales force was as follows:

	June 30,	March	December
	2015	31, 2015	31, 2014
Life-licensed insurance sales representatives	101,008	98,145	98,358

The size of our life-licensed sales force at June 30, 2015 increased compared to March 31, 2015 and December 31, 2014 primarily due to the increase in new life-licensed representatives and slightly lower terminations during the second quarter of 2015 compared to the first quarter of 2015 and the fourth quarter of 2014.

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Average number of life-licensed sales representatives	99,487	96,095	98,920	95,743
Number of new policies issued	68,097	59,569	123,774	108,889
Average monthly rate of new policies issued per life-licensed sales representative	0.23	0.21	0.21	0.19

The average monthly rate of new policies issued per life-licensed sales representative during the three months ended June 30, 2015 was higher year-over-year and slightly higher than our historical range driven by the positive recruiting, licensing, and sales momentum generated within our independent sales force in the first quarter of 2015 and complemented by the recognition programs leading up to our biennial convention.

The average monthly rate of new policies issued per life-licensed sales representative during the six months ended June 30, 2015 was higher than the comparable period in 2014 due to the positive trend noted in the three-month comparison as well as the unfavorable impact of adverse weather conditions across North America in the first quarter

of 2014.

Investment and Savings Product Sales and Asset Values. Investment and savings products sales increased 9% to approximately \$1.6 billion in the second quarter of 2015 compared with the prior year period. The assets in our clients' accounts are invested in diversified funds comprised mainly of U.S. and Canadian equity and fixed-income securities. The period-end asset values increased to approximately \$49.4 billion at June 30, 2015 versus approximately \$48.0 billion at June 30, 2014. See the "Results of Operations" section for more details regarding product sales and changes in our client asset values.

Regulatory changes can also impact our product sales. On April 14, 2015, the Department of Labor ("DOL") published a proposed regulation ("the DOL Proposed Rule"), which would more broadly define the circumstances under which a person or entity may be considered a fiduciary for purposes of the prohibited transaction rules of the Employee Retirement Income Security Act and Internal Revenue Code ("IRC") Section 4975. IRC Section 4975 prohibits certain types of compensation paid by third parties with respect to transactions involving assets in qualified accounts, including individual retirement accounts ("IRAs"). In connection with the DOL Proposed Rule, the DOL also proposed new exemptions and amended the existing exemption. In so doing, the DOL stated its intent to avoid disruption of common compensation arrangements provided the conditions of the exemptions are met. IRAs and other qualified accounts are an important component of the investment and savings products we distribute. We are concerned that the DOL Proposed Rule and its exemptions are so vague, complex and burdensome that they would necessitate fundamental changes to our qualified plan business in order for us to continue to help small-balance investors save for retirement. Such restructuring could materially impact our qualified plan business. During the year ended December 31, 2014, average client assets held in U.S. qualified retirement plans accounted for an estimated 60% of total average client account assets. During the year ended December 31, 2014, product sales of assets held in U.S. qualified retirement plans accounted for approximately 57% of total investment and savings product sales. The

DOL is in the process of reviewing comment letters from stakeholders and has indicated its commitment to evaluate and consider all feedback. The form, substance and timing of a final rule are unknown at this time and therefore we are unable to quantify the impact, if any, on our business, financial position or results of operations.

Factors Affecting Our Results

Term Life Insurance Segment. Our Term Life Insurance segment results are primarily driven by sales volumes, the accuracy of our pricing assumptions, terms and use of reinsurance, investment income 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 will have a more immediate effect on our cash flows.

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 our sales representatives generally remains within a relatively narrow range (between 0.18 and 0.22), and, consequently, our sales volume over the longer term generally correlates to the size of our 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 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 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 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 used to price our products.

Mortality. Our profitability will fluctuate to the extent actual mortality rates differ from those used in our pricing assumptions. We mitigate a significant portion of our mortality exposure through reinsurance.

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. Actual interest rates will impact net investment income allocated to the Term Life Insurance segment, but will not impact DAC or the future policy benefit reserve liability.

Reinsurance. We use reinsurance extensively, which has a significant effect on our results of operations. Since the mid-1990s, we have reinsured between 60% and 90% of the mortality risk on our U.S. term life insurance policies on a quota share yearly renewable term ("YRT") basis. In Canada, we previously utilized reinsurance arrangements similar to the U.S. in certain years and reinsured only face amounts above \$500,000 in other years. However, in the first quarter of 2012, we entered into a YRT reinsurance arrangement in Canada similar to our U.S. program that reinsures 80% of the face amount for every policy sold. YRT reinsurance permits us to set future mortality at contractual rates by policy class. To the extent actual mortality experience is more or less favorable than the contractual rate, the reinsurer will earn incremental profits or bear the incremental cost, as applicable. In contrast to coinsurance, which is intended to eliminate all risks (other than counterparty risk of the reinsurer) and rewards associated with a specified percentage of the block of policies subject to the reinsurance arrangement, the YRT reinsurance arrangements we enter into are intended only to reduce volatility associated with variances between estimated and actual mortality rates.

In 2010, as part of our corporate reorganization, we entered into significant coinsurance transactions (the "coinsurance transactions") with three affiliates (collectively, the "Citigroup reinsurers") of Citigroup Inc. ("Citigroup") 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 continue to administer all policies subject to these coinsurance agreements. With each successive period, we expect revenue and earnings growth to continue to decelerate as the size of our in-force book grows and incremental sales have a reduced marginal effect on the size of the then-existing in-force book.

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 Citigroup. There is no impact on amortization of DAC associated with our YRT contracts.
 - Insurance expenses. Insurance expenses are reduced by the allowances received from coinsurance, including the business reinsured with Citigroup. 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. mortality risk on new business and to increase ceding from approximately 80% to approximately 90% of our Canadian mortality risk on new business.

Net investment income. Net investment income is allocated to the Term Life Insurance segment based on the book value of the invested assets estimated to support our targeted statutory capital and required reserves. Net investment income is impacted by the performance of our invested asset portfolio, which can be affected by interest rates, credit spreads, and the mix of invested assets.

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

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

Sales. We earn commissions and fees, such as dealer re-allowances, and marketing and support fees, based on sales of mutual fund products and annuities. Sales of investment and savings products are influenced by the overall demand for investment products in the United States and Canada, as well as by the size and productivity of our sales force. We generally experience seasonality in our Investment and Savings Products segment results due to our high concentration of sales of retirement account products. These accounts are typically funded in February through April, coincident with our clients' tax return preparation season. While we believe the size of our sales force is a factor in driving sales volume in this segment, there are a number of other variables, such as economic and market conditions, 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 fees on assets in the managed accounts program. 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.

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

Sales mix. While our investment and savings products have similar long-term earnings characteristics, our results in a given fiscal period will be affected by changes in the overall mix of products within these 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 accounts and segregated funds, no upfront revenues;
- sales of a higher proportion of managed accounts and segregated funds products will generally extend the time over which revenues can be earned because we are entitled to higher revenues based on assets under management for these accounts in lieu of upfront revenues; and
- sales of a higher proportion of mutual fund products and the composition of the fund families sold will impact the timing and amount of revenue we earn given the marketing, support, recordkeeping and custodial services we perform for the various mutual fund products we distribute.

Corporate and Other Distributed Products Segment. We earn revenues and pay commissions and referral fees for various other insurance products, prepaid legal services and other financial products, all of which are originated by third parties. NBLIC also has in-force policies from several discontinued lines of insurance. During the first quarter of 2014, NBLIC sold its short-term statutory disability benefit insurance business ("DBL") to AmTrust North America, Inc., and the net gain recognized on the sale has been reported as discontinued operations in 2014. During the second quarter of 2014, NBLIC ceased the marketing and underwriting of new student life insurance policies but continues to administer the existing block of student life business. Corporate and Other Distributed Products segment net investment income is composed of two elements: the remainder of net investment income not allocated to our Term Life Insurance segment and the market return associated with the deposit asset underlying a 10% coinsurance agreement with the Citigroup reinsurers ("10% Coinsurance Agreement").

The Corporate and Other Distributed Products segment is affected by corporate income and expenses not allocated to our other segments, net investment income (other than net investment income allocated to our Term Life Insurance segment), general and administrative expenses (other than expenses that are allocated to our Term Life Insurance or Investment and Savings Products segments), interest expense on notes payable and realized gains and losses on our invested asset portfolio.

Capital Structure. Our financial results are impacted by our capital structure, such as the issuance of our senior unsecured notes and repurchases of shares of our common stock. For additional information regarding our capital structure, see Note 6 (Debt) and Note 7 (Stockholders' Equity) to our unaudited condensed consolidated financial statements included elsewhere in this report.

Foreign Currency. The Canadian dollar is the functional currency for our Canadian subsidiaries and our financial results, reported in U.S. dollars, are affected by changes in the currency exchange rate. 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, respectively, relative to the U.S. dollar. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk – Canadian Currency Risk included in our 2014 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. generally accepted accounting principles ("U.S. GAAP"). These principles are established primarily by the Financial Accounting Standards Board ("FASB"). The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions based on currently available information when recording transactions resulting from business operations. Our significant accounting policies are described in Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies) to our consolidated financial statements included in our 2014 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 due from reinsurers, income taxes, the valuation of investments, and litigation. The preparation and evaluation of these critical accounting estimates involve the use of various assumptions developed from management's analyses and judgments. Subsequent experience or use of other assumptions could produce significantly different results.

Accounting Policy Changes. During the three months ended June 30, 2015, there have been no changes in the accounting methodology for items that we have identified as critical accounting estimates. For additional information regarding our critical accounting estimates, see the Critical Accounting Estimates section of MD&A included in our 2014 Annual Report.

Results of Operations

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

	Three months ended June 30,				Six months ended June 30,			
	2015	2014	Change \$	%	2015	2014	Change \$	%
(Dollars in thousands)								
Revenues:								
Direct premiums	\$588,248	\$576,740	\$11,508	2 %	\$1,165,707	\$1,144,945	\$20,762	2 %
Ceded premiums	(406,854)	(410,546)	(3,692)	(1) %	(804,395)	(813,261)	(8,866)	(1) %
Net premiums	181,394	166,194	15,200	9 %	361,312	331,684	29,628	9 %
Commissions and fees	139,150	132,039	7,111	5 %	271,985	258,970	13,015	5 %
Investment income net of								
investment expenses	21,782	21,681	101	*	45,431	43,280	2,151	5 %
Interest expense on surplus note	(2,707)	-	(2,707)	*	(5,182)	-	(5,182)	*
Net investment income	19,075	21,681	(2,606)	(12) %	40,249	43,280	(3,031)	(7) %
Realized investment gains								
(losses), including								
other-than-								
temporary impairment losses	597	831	(234)	(28) %	1,881	1,094	787	72 %
Other, net	10,651	10,385	266	3 %	20,579	20,430	149	1 %
Total revenues	350,867	331,130	19,737	6 %	696,006	655,458	40,548	6 %
Benefits and expenses:								
Benefits and claims	82,521	72,412	10,109	14 %	165,021	147,604	17,417	12 %
Amortization of DAC	36,384	32,696	3,688	11 %	72,595	67,890	4,705	7 %
Sales commissions	71,499	67,364	4,135	6 %	139,956	132,485	7,471	6 %
Insurance expenses	29,094	28,192	902	3 %	63,736	56,694	7,042	12 %
Insurance commissions	4,145	3,881	264	7 %	7,334	7,964	(630)	(8) %
Interest expense	8,642	8,552	90	1 %	17,316	17,159	157	1 %
Other operating expenses	41,757	42,293	(536)	(1) %	86,413	83,089	3,324	4 %
Total benefits and expenses	274,042	255,390	18,652	7 %	552,371	512,885	39,486	8 %
Income from continuing								
operations before income								
taxes	76,825	75,740	1,085	1 %	143,635	142,573	1,062	1 %
Income taxes	27,652	26,469	1,183	4 %	51,062	49,816	1,246	3 %
Income from continuing								
operations								
Income from discontinued	-	-	-	*	-	1,595	(1,595)	*

operations, net of income
taxes

Net income	\$49,173	\$49,271	\$(98) *	\$92,573	\$94,352	\$(1,779) (2)%
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*Less than 1% or not meaningful.

Results for the Three Months Ended June 30, 2015 and 2014

Total revenues. Total revenues for the three months ended June 30, 2015 compared to the three months ended June 30, 2014 increased primarily due to incremental premiums on term life insurance policies not subject to the Citigroup coinsurance transactions. Higher sales of investment and savings products and the rise in client asset values also contributed the increase in total revenues in the form of higher commissions and fees. The increase in net premiums and commissions and fees income was partially offset by a decline in net investment income due to lower yield on invested assets and lower return on the deposit asset underlying 10% Coinsurance Agreement.

Total benefits and expenses. Total benefits and expenses for the three months ended June 30, 2015 increased primarily as a result of the growth in revenue-related costs, which include benefits and claims, sales commissions and amortization of DAC. Benefits and claims outpaced the growth in net premiums reflecting incurred claims that were higher than historical levels during the second quarter of 2015 and incurred claims that were lower than historical levels during the second quarter of 2014.

Income taxes. Our effective income tax rate was 36.0% and 34.9% for the three months ended June 30, 2015 and 2014, respectively. The higher effective income tax rate for the three months ended June 30, 2015 is mainly attributable to an increase in the estimated portion of current earnings generated by our Canadian subsidiaries that may be repatriated to the U.S., and therefore, subject to a higher U.S. corporate income tax rate.

For additional information, see the Segment Results discussions below.

Results for the Six Months Ended June 30, 2015 and 2014

Total revenues. Total revenues for the six months ended June 30, 2015 compared to the prior year period increased due to the same factors impacting total revenues as discussed above in the three-month comparison.

Total benefits and expenses. The increase in total benefits and expenses for the six months ended June 30, 2015 is mostly attributable to the growth in revenue-related costs. Higher operating expenses also contributed to the increase in total benefits and expenses for the six months ended June 30, 2015 primarily due to the accelerated expense recognition on the grant date of management equity awards granted to retirement eligible employees in February 2015. Management equity awards granted in February 2014 did not have a similar accelerated recognition of expense at the grant date for retirement eligible employees as those awards did not contain a retirement eligibility provision until modifications were made in the third quarter of 2014 to include such a provision. The impact of the retirement eligibility provision included in equity awards granted to management primarily affects the timing of expense recognition and not the total amount of expense to be recognized.

See Note 9 (Share-Based Transactions) to our unaudited condensed consolidated financial statements included elsewhere in this report for more information on the acceleration of stock compensation expense of certain employee equity awards.

Income taxes. The effective tax rate increased to 35.5% for the six months ended June 30, 2015 from 34.9% for the six months ended June 30, 2014 primarily due to the increased portion of our current Canadian earnings that is expected to be subject to U.S. corporate income taxes as discussed above in the three-month comparison.

For additional information, see the Segment Results discussions below:

Segment Results

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

	Three months ended June 30,				Six months ended June 30,			
	2015	2014	Change \$	%	2015	2014	Change \$	%
(Dollars in thousands)								
Revenues:								
Direct premiums	\$579,873	\$567,848	\$12,025	2 %	\$1,149,036	\$1,127,512	\$21,524	2 %
Ceded premiums	(404,211)	(407,566)	(3,355)	(1) %	(799,333)	(807,900)	(8,567)	(1) %
Net premiums	175,662	160,282	15,380	10 %	349,703	319,612	30,091	9 %
Allocated investment income net								
of investment expenses	20,837	16,839	3,998	24 %	40,594	33,552	7,042	21 %
Interest expense on surplus note	(2,707)	-	(2,707)	*	(5,182)	-	(5,182)	*
Allocated net investment income								
Other, net	18,130	16,839	1,291	8 %	35,412	33,552	1,860	6 %
Total revenues	201,433	184,366	17,067	9 %	399,798	367,346	32,452	9 %
Benefits and expenses:								
Benefits and claims	78,268	68,287	9,981	15 %	156,258	139,551	16,707	12 %

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Amortization of DAC	32,797	29,778	3,019	10%	67,814	62,499	5,315	9%
Insurance expenses	27,603	26,293	1,310	5%	60,407	52,706	7,701	15%
Insurance commissions	1,382	929	453	49%	1,983	2,244	(261)	(12)%
Interest expense	4,097	4,009	88	2%	8,229	8,072	157	2%
Total benefits and expenses	144,147	129,296	14,851	11%	294,691	265,072	29,619	11%
Income from continuing operations before income taxes								
taxes	\$57,286	\$55,070	\$2,216	4%	\$105,107	\$102,274	\$2,833	3%

*Not meaningful.

Results for the Three Months Ended June 30, 2015 and 2014

Net premiums. Direct premiums grew for the three months ended June 30, 2015 compared to the prior year period mostly due to incremental premiums on term life insurance policies not subject to the Citigroup coinsurance transactions. Ceded premiums declined primarily due to the run-off of business subject to the Citigroup coinsurance transactions. The continued impact of growth in direct premiums not subject to the Citigroup coinsurance transactions and the run-off of business subject to the Citigroup coinsurance transactions resulted in net premiums growing faster than direct premiums.

Allocated net investment income. Allocated net investment income increased year-over-year primarily due to the growth in invested assets that are estimated to support our targeted statutory capital and required reserves. The increase in the allocation of net investment income to the Term Life Insurance segment was approximately \$2.3 million, which was partially offset by lower yield on invested assets.

Benefits and claims. Benefits and claims increased more than the growth in net premiums due to incurred claims that were approximately \$1.3 million higher than historical levels during the second quarter of 2015 and incurred claims that were approximately \$2.0 million lower than historical levels during the second quarter of 2014.

Amortization of DAC. The rate of DAC amortization for the second quarter of 2015 was in line with the growth in net premiums reflecting consistent persistency with the prior year period.

Insurance expenses. The increase in insurance expenses for the three months ended June 30, 2015 compared to the period ended June 30, 2014 was mainly due to growth in the business and the run-off of Citigroup coinsurance expense allowances.

Results for the Six Months Ended June 30, 2015 and 2014

Net premiums. Direct premiums grew for the six months ended June 30, 2015 compared to the prior year period due to the same factors impacting direct premiums as discussed above in the three-month comparison.

Allocated net investment income. The increase in allocated net investment income was primarily due to the growth in invested assets as discussed above in the three-month comparison. The increase in the allocation of net investment income Term Life Insurance segment for the six months ended June 30, 2015 was approximately \$3.8 million, which was partially offset by lower yield on invested assets.

Benefits and claims. Benefits and claims increased due to the impact of higher year-over-year claims in the three-month comparison as discussed above, partially offset by incurred claims during the first quarter of 2015 that were lower than historical levels.

Amortization of DAC. The rate of DAC amortization for the six months ended June 30, 2015 was in line with the growth in net premiums consistent with the discussion above in the three-month comparison.

Insurance expenses. The increase in insurance expenses for the six months ended June 30, 2015 compared to the six months ended June 30, 2014 was mostly due to employee-related compensation costs consisting of a \$2.4 million impact of accelerated expense recognition on the grant date of management equity awards issued to retirement eligible employees in February 2015 and \$2.1 million related to higher other compensation costs primarily related to annual employee merit pay increases. The remaining rise in insurance expenses was attributable to growth in the business and the run-off of Citigroup coinsurance expense allowances.

Face Amount In Force. The changes in the face amount of our in-force book of term life insurance policies were as follows:

	Three months ended June 30,		% of		Six months ended June 30,		% of	
	2015	% of beginning balance 2014	2014	% of beginning balance 2014	2015	% of beginning balance 2014	2014	% of beginning balance
Face amount in force, beginning of period	\$678,517		\$673,078		\$681,927		\$674,868	
Net change in face amount:								
Issued face amount	20,585	3 %	18,494	3 %	37,766	6 %	34,241	5 %
Terminations	(12,064)	(2)%	(12,759)	(2)%	(25,408)	(4)%	(26,919)	(4)%
Foreign currency	1,125	*	3,165	*	(6,122)	(1)%	(212)	*

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Net change in face amount	9,646	1 %	8,900	1 %	6,236	1 %	7,110	1 %
Face amount in force, end of period	\$688,163		\$681,978		\$688,163		\$681,978	

*Less than 1%.

Results for the Three Months Ended June 30, 2015 and 2014

Face amount of term life insurance policies in force increased during the three months ended June 30, 2015 compared to the prior year period primarily due to the higher number of new policies issued and policy terminations that were consistent with the prior year period.

Results for the Six Months Ended June 30, 2015 and 2014

Face amount of term life insurance policies in force increased during the six months ended June 30, 2015 compared to the prior year period primarily due to a higher number of new policies issued and policy terminations being consistent with prior periods, offset by an unfavorable impact of foreign currency exchange rates. As a percentage of beginning face amount in force, issued face amount continued to grow due to higher sales activity.

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

	Three months ended				Six months ended			
	June 30, 2015	2014	Change \$	%	June 30, 2015	2014	Change \$	%
(Dollars in thousands)								
Revenues:								
Commissions and fees:								
Sales-based revenues	\$63,072	\$60,255	\$2,817	5 %	\$123,107	\$118,159	\$4,948	4 %
Asset-based revenues	59,144	56,114	3,030	5 %	115,981	109,921	6,060	6 %
Account-based revenues	10,994	9,957	1,037	10%	21,447	19,678	1,769	9 %
Other, net	1,871	1,822	49	3 %	3,620	3,660	(40)	(1)%
Total revenues	135,081	128,148	6,933	5 %	264,155	251,418	12,737	5 %
Expenses:								
Amortization of DAC	2,901	2,172	729	34%	4,101	4,507	(406)	(9)%
Insurance commissions	2,182	2,237	(55)	(2)%	4,153	4,324	(171)	(4)%
Sales commissions:								
Sales-based	44,595	42,702	1,893	4 %	87,038	84,265	2,773	3 %
Asset-based	24,059	21,858	2,201	10%	47,309	42,584	4,725	11%
Other operating expenses	23,598	23,131	467	2 %	48,765	45,663	3,102	7 %
Total expenses	97,335	92,100	5,235	6 %	191,366	181,343	10,023	6 %
Income from continuing								
operations before income								
taxes	\$37,746	\$36,048	\$1,698	5 %	\$72,789	\$70,075	\$2,714	4 %

Supplemental information on the underlying metrics that drove results follows.

	Three months				Six months ended			
	ended June 30, 2015	2014	Change \$	%	June 30, 2015	2014	Change \$	%
(Dollars in millions)								
Product sales:								
Retail mutual funds	\$869	\$821	\$48	6 %	\$1,725	\$1,642	\$83	5 %
Annuities and other	543	502	41	8 %	1,022	952	70	7 %
Total sales-based revenue								
generating product sales	1,412	1,323	89	7 %	2,747	2,594	153	6 %
Managed investments	72	65	7	11%	138	128	10	8 %
Segregated funds and other	83	51	32	63%	197	128	69	54%
Total product sales	\$1,567	\$1,439	\$128	9 %	\$3,082	\$2,850	\$232	8 %
Average client asset values:								
Retail mutual funds	\$31,271	\$29,829	\$1,442	5 %	\$31,047	\$29,335	\$1,712	6 %
Annuities and other	14,455	13,072	1,383	11%	14,269	12,875	1,394	11%
Managed investments	1,526	1,203	323	27%	1,486	1,149	337	29%
Segregated funds	2,381	2,507	(126)	(5)%	2,385	2,478	(93)	(4)%
Total average client asset values	\$49,633	\$46,611	\$3,022	6 %	\$49,187	\$45,837	\$3,350	7 %

(Accounts in thousands)

Average number of fee-generating

accounts:

Recordkeeping and custodial

accounts	2,165	2,011	154	8 %	2,116	2,001	115	6 %
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Recordkeeping only

accounts	657	603	54	9 %	642	600	42	7 %
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Total average number of fee-

generating accounts	2,822	2,614	208	8 %	2,758	2,601	157	6 %
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Results for the Three Months Ended June 30, 2015 and 2014

Total revenues. The increase in commissions and fees revenue during the three months ended June 30, 2015 compared to the prior year period was primarily due to higher total product sales of U.S. retail mutual funds and variable annuities, as well as growth in average client asset values, which was indicative of favorable market performance. The growth in account-based revenue reflects the addition of a mutual fund provider on our recordkeeping and custodial services platform in the second quarter of 2015.

Amortization of DAC. During the three months ended June 30, 2015, amortization of DAC increased due to weaker Canadian segregated fund market performance compared to the prior year period.

Sales commissions. The growth in sales-based commissions during the three months ended June 30, 2015 was relatively consistent with the growth 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 was relatively consistent with the 8% increase in asset-based revenues excluding Canadian segregated funds.

Other operating expenses. Other operating expenses increased year-over-year primarily due to the increased growth in the business.

Results for the Six Months Ended June 30, 2015 and 2014

Total revenues. The increase in total revenues during the six months ended June 30, 2015 compared to the prior year period was due to the same factors impacting total revenues as discussed above in the three-month comparison.

Amortization of DAC. During the six months ended June 30, 2015, amortization of DAC declined compared to the prior year period as the increase discussed above in the three-month comparison was more than offset by lower year-over-year DAC amortization of approximately \$1.1 million in the first quarter of 2015 due to favorable impact of both market performance experienced by assets held within our Canadian segregated funds and redemptions during the first quarter.

Sales commissions. The growth in sales commissions for the six months ended June 30, 2015 was mainly due to the same factors discussed above in the three-month comparison. During the six months ended June 30, 2015, asset-based revenues excluding Canadian segregated funds also increased approximately 8%, which was generally comparable to the increase in asset-based commissions.

Other operating expenses. Other operating expenses increased largely due to employee-related compensation costs consisting of a \$0.8 million impact of accelerated expense recognition on the grant date of management equity awards issued to retirement eligible employees in February 2015 and \$0.8 million related to higher other compensation costs partially related to normal annual merit increases. Higher costs associated with business growth represented most of the remaining increase in other operating expenses.

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

	Three months ended June 30,			Six months ended June 30,			% of beginning balance	
	2015	% of beginning balance	2014	% of beginning balance	2015	% of beginning balance		2014
(Dollars in millions)								
Asset values, beginning of period	\$49,195		\$45,839		\$48,656		\$44,990	
Net change in asset values:								
Inflows	1,567	3 %	1,439	3 %	3,082	6 %	2,850	6 %
Redemptions	(1,267)	(3)%	(1,211)	(3)%	(2,513)	(5)%	(2,457)	(5)%
Net inflows	300	1 %	228	*	569	1 %	393	1 %
Change in market value, net	(245)	*	1,628	4 %	759	2 %	2,633	6 %
Foreign currency, net	122	*	313	1 %	(612)	(1)%	(8)	*
Net change in asset values	177	*	2,169	5 %	716	1 %	3,018	7 %
Asset values, end of period	\$49,372		\$48,008		\$49,372		\$48,008	

*Less than 1%.

Changes in Asset Values during the Three Months Ended June 30, 2015

The increase in client asset values in 2015 was primarily led by positive net inflows mainly attributable to strong customer demand for the investment and savings products we distribute. The increase in net inflows was slightly offset by negative market performance during the second quarter of 2015.

Changes in Asset Values during the Six Months Ended June 30, 2015

The increase in client asset values during the six months ended June 30, 2015 was largely attributable to positive net inflows. Also contributing to the growth in client assets was strong market performance during the six months ended June 30, 2015, offset by the negative effect on the translated U.S. dollar value of Canadian client assets in 2015 caused by a weaker Canadian dollar.

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

	Three months ended				Six months ended			
	June 30, 2015	2014	Change \$	%	June 30, 2015	2014	Change \$	%
(Dollars in thousands)								
Revenues:								
Direct premiums	\$8,376	\$8,892	\$(516)	(6)%	\$16,670	\$17,433	\$(763)	(4)%
Ceded premiums	(2,644)	(2,980)	(336)	(11)%	(5,062)	(5,361)	(299)	(6)%
Net premiums	5,732	5,912	(180)	(3)%	11,608	12,072	(464)	(4)%
Commissions and fees	5,939	5,713	226	4%	11,451	11,212	239	2%
Allocated net investment income	945	4,842	(3,897)	(80)%	4,837	9,728	(4,891)	(50)%
Realized investment gains								
(losses), including other-than-								
temporary impairment losses	597	831	(234)	(28)%	1,881	1,094	787	72%
Other, net	1,140	1,318	(178)	(14)%	2,276	2,588	(312)	(12)%
Total revenues	14,353	18,616	(4,263)	(23)%	32,053	36,694	(4,641)	(13)%
Benefits and expenses:								
Benefits and claims	4,253	4,125	128	3%	8,764	8,053	711	9%
Amortization of DAC	685	746	(61)	(8)%	680	884	(204)	(23)%
Insurance expenses	1,491	1,899	(408)	(21)%	3,329	3,988	(659)	(17)%
Insurance commissions	581	715	(134)	(19)%	1,197	1,396	(199)	(14)%
Sales commissions	2,845	2,804	41	1%	5,609	5,636	(27)	*
Interest expense	4,544	4,543	1	*	9,088	9,087	1	*
Other operating expenses	18,161	19,162	(1,001)	(5)%	37,647	37,426	221	1%
Total benefits and expenses	32,560	33,994	(1,434)	(4)%	66,314	66,470	(156)	*
Loss from continuing								
operations before income								
taxes	\$(18,207)	\$(15,378)	\$2,829					