

# Earnings Results

## Quarter Ended December 31, 2022



# Forward-Looking Statements and Non-GAAP Financial Measures

## Forward-Looking Statements

This presentation may contain forward-looking statements. Information on factors that could cause results to differ materially from those projected in this presentation is available in our Form 10-K for the year ended December 31, 2021 as may be modified by subsequent Forms 10-Q. These documents are available in the Investor Relations section of our website, <https://investors.primerica.com>. The forward-looking statements speak as of the date on which they were made, and the Company does not undertake any obligation to update or correct any forward-looking statements.

## Non-GAAP Financial Measures

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

## Financial Highlights

- Adjusted operating revenues declined 5% as volatility in equity markets pressured ISP results
- Adjusted net operating income of nearly \$130 million and diluted adjusted operating EPS of \$3.49 grew 11% and 19% year-over-year, respectively
  - Term Life segment results in the current year period reflected a significant reduction in COVID-related death claims and normalization of persistency
- Adjusted ROAE was 27.1% compared to 23.2% in the prior year period
- Capital deployment during the fourth quarter of 2022
  - Repurchased \$32 million of common stock, completing the 2022 Board authorization
  - Paid \$20 million in stockholder dividends

## GAAP Financial Results

(\$ in millions, except per-share amounts)	Q4 2022	Q4 2021	% Change
Revenues	\$686.9	\$724.1	(5%)
Net income	\$131.8	\$34.9	nm
Stockholders' equity <sup>(1)</sup>	\$1,721.5	\$2,082.5	(17%)
Diluted EPS <sup>(2)</sup>	\$3.54	\$0.87	nm
Book value per share <sup>(1) (3)</sup>	\$46.75	\$52.90	(12%)
ROE	31.6%	6.7%	

## Adjusted Operating Financial Results

(\$ in millions, except per-share amounts)	Q4 2022	Q4 2021	% Change
Adjusted operating revenues	\$684.5	\$723.0	(5%)
Adjusted net operating income	\$129.9	\$117.0	11%
Adjusted stockholders' equity <sup>(1)</sup>	\$1,962.4	\$2,018.7	(3%)
Diluted adjusted operating EPS <sup>(2)</sup>	\$3.49	\$2.94	19%
Adjusted book value per share <sup>(1) (3)</sup>	\$53.29	\$51.28	4%
Adjusted operating ROAE	27.1%	23.2%	

For a reconciliation of GAAP to non-GAAP financial measures refer to pages 4, 7 and 8 of the Financial Supplement

(1) Reflects the Company's permanent stockholders' equity and does not include temporary stockholders' equity

(2) 37.1 million weighted-average common shares outstanding for Q4 2022

(3) 36.8 million common shares outstanding as of December 31, 2022

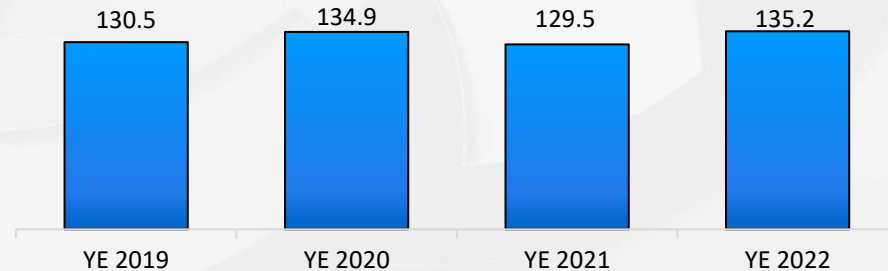
## Distribution Highlights

- Life insurance licensed sales force ended the year at a record 135,208 reps
- Recruited more than 77,000 individuals during the quarter, a 5% increase year-over-year
- Licensing increased 20% year-over-year as traction continues to build
- Expect around 3% growth in the size of the sales force in 2023

### Sales Force

Distribution		Q4 2022	Q4 2021	% Change
	Recruits	77,025	73,572	5%
	New life licensed representatives	11,117	9,296	20%
	Life insurance licensed sales force <sup>(1)</sup>	135,208	129,515	4%
	Securities licensed sales force <sup>(1)</sup>	26,186	26,286	NM

### Life Insurance Licensed Sales Force<sup>(1) (2)</sup> (in thousands)



(1) At period end

(2) YE 2020 included approximately 4,200 individuals that the Company estimated would not pursue the necessary steps to obtain a permanent license or renew a license with an extended renewal date

# Production Highlights

## Term Life Insurance

- Record life insurance face amount in-force of \$917 billion at year end
- Transition to new term life products and cost-of-living pressure on middle-income families impacted issued policies
  - Issued policies declined 4% during the quarter, while face amount issued during quarter was down 1%
- Field is excited about the new products; however, inflation continues to create a headwind
  - Expect issued policies growth of around 1% in the first quarter and mid-single digits for the full year 2023

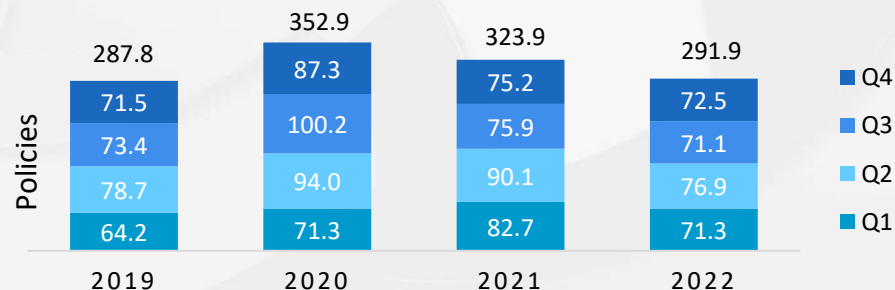
## Production

Term Life	(\$ in billions)	Q4 2022	Q4 2021	% Change
	Issued life insurance policies	72,544	75,203	(4%)
	Face amount issued	\$25.3	\$25.7	(1%)
	Life insurance face amount in-force <sup>(1)</sup>	\$916.8	\$903.4	1%
	Productivity	0.18	0.19	

<sup>(1)</sup> At period end

## Issued Term Life Policies

(in thousands)



# Production Highlights

## Investment and Savings Products

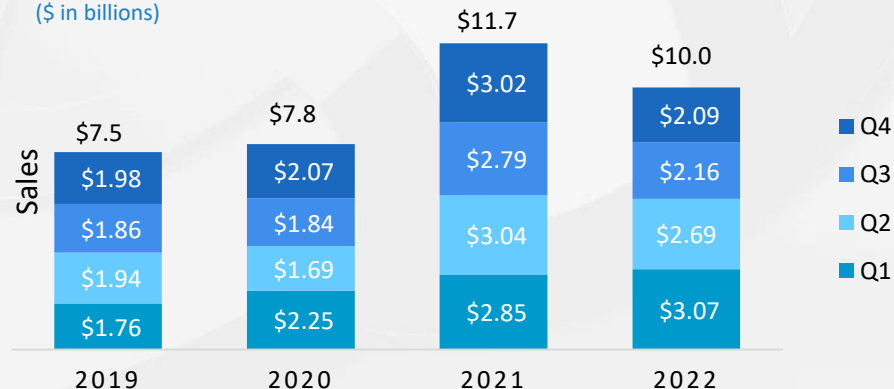
- Annual investment product sales exceeded \$10 billion for the second consecutive year, although equity market volatility and economic uncertainty pressured the second half of 2022
- Net client inflows of \$649 million for the quarter reflected clients' long-term focus on saving for retirement
  - Compares favorably to industry trends for retail mutual funds sales
- Total sales of nearly \$2.1 billion declined 31% year-over-year
- Expect first quarter 2023 sales could be down as much as 25% year-over-year

### Production

ISP	(\$ in billions)	Q4 2022	Q4 2021	% Change
	Total product sales	\$2.09	\$3.02	(31%)
	Client asset values, end of period	\$83.95	\$97.31	(14%)
	Average client asset values	\$83.26	\$94.81	(12%)

### ISP Production

(\$ in billions)



## Senior Health

- Fourth quarter 2022 results reflected the deliberate slowing of growth and our progress in stabilizing the senior health business
  - Approved policies declined 35% year-over-year
  - LTV/CAC multiple of 1.2x
- During the 2022 AEP
  - We improved agent productivity by 25%
  - We successfully drove the lead buying strategy, resulting in a 90% ratio of approved-to-submitted policy
  - We managed acquisition costs, which led to a 21% improvement in CAC per approved policy
  - We stabilized LTVs

# Operating Results

## Term Life Segment

- Operating revenues increased 5%, driven by 6% growth in Adjusted Direct Premiums (ADP)
- Operating income growth outpaced revenues due to lower benefits and claims
- Benefits and claims included
  - \$3 million favorable claims in the current year period versus \$19 million of excess claims in the prior year period, largely COVID-related
  - \$4 million reserve reduction when locking-in new business assumptions due to rising interest rates
  - \$2 million favorable impact from administrative reprocessing of reinsurance transaction
- DAC ratio at 16.6% reflected typical fourth quarter persistency

(\$ in millions)	Q4 2022	Q4 2021	% Change
Direct premiums	\$807.8	\$789.3	2%
Premium ceded to IPO coinsurers <sup>(1)</sup>	(\$224.2)	(\$239.8)	7%
Adjusted direct premiums (ADP) <sup>(2)</sup>	\$583.6	\$549.5	6%
Operating revenues	\$430.2	\$408.7	5%
Operating income before income taxes	\$125.3	\$102.0	23%

Key Ratios	Q4 2022	Q4 2021
Benefits and claims, net <sup>(3)</sup>	56.6%	63.0%
DAC amortization & insurance commissions	16.6%	13.1%
Insurance expenses, net <sup>(4)</sup>	7.8%	7.2%
Term life income before income taxes	21.5%	18.6%

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

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

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

(4) Insurance expenses net of other, net revenues



# 2023 Outlook of Key Performance Metrics

Provided under new accounting literature (LDTI basis)

## *Impact of new accounting literature*

- Adjusted direct premiums (ADP) – LDTI does not impact net premiums or ADP
- DAC ratio – Pace of amortization decreases through the use of cohorts and current face amount as the amortization basis
- Benefits ratio – Expected to be modestly lower than under historical GAAP and fairly stable from quarter to quarter
  - Use of current best estimate for in-force will replace annually locking-in new business reserve assumptions
- Reserves will be remeasured each quarter using current observable market rates based on A rating with the impact recognized in AOCI
- Net investment income will no longer be allocated to the Term Life segment, no change on a consolidated basis

## *Guidance full year 2023*

- ADP expected to grow ~6%, assuming mid-single digit sales growth
- DAC amortization ratio ~12%
- Benefit ratio ~58%
- Term Life operating margin ~23%

# Operating Results

## Investment & Savings Products Segment

- Segment results adversely impacted by continued equity market volatility and economic headwinds
- Operating revenues declined 20%, while operating income before taxes declined 19%
  - Driven by a combination of 35% lower sales-based revenue-generating product sales and 12% lower average client asset values
- Sales-based net revenue ratio in prior year period reflected a \$4 million catch-up bonus
  - Full year 2022 sales-based net revenue ratio remains in line with prior year

(\$ in millions, except as noted)	Q4 2022	Q4 2021	% Change
Sales-based revenues	\$66.5	\$103.5	(36%)
Asset-based revenues	\$105.4	\$118.0	(11%)
Account-based revenues	\$23.3	\$22.5	4%
Other, net	\$3.1	\$3.1	0%
<b>Total operating revenues</b>	<b>\$198.3</b>	<b>\$247.1</b>	<b>(20%)</b>
Benefits and expenses	\$140.9	\$176.4	(20%)
<b>Operating income before income taxes</b>	<b>\$57.4</b>	<b>\$70.7</b>	<b>(19%)</b>
Sales-based net revenue as % of revenue-generating sales <sup>(1)</sup>	1.15%	1.05%	
Asset-based net revenue as % of average asset values <sup>(2)</sup>	0.051%	0.052%	
Account-based net revenue per average fee generating position <sup>(3) (4)</sup>	\$4.37	\$4.22	

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

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

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

(4) In whole dollars

# Operating Results

## Senior Health Segment

- Operating revenues were \$28 million and operating income before taxes was \$4.3 million
  - Results reflected a \$3.8 million revenue adjustment for final first year commission collections on policies effective in 2022, which are no longer subject to chargeback
- LTVs for policies approved during 2022 AEP of \$888 reflects current best estimates on a constrained basis
- CACs of \$722 per approved policy improved 21%
- No net capital contributions in 2022 and no funding anticipated for 2023

(\$ in millions, except as noted)	Q4 2022	Q4 2021	% Change
Commissions and fees	\$22.2	\$29.3	(24%)
<b>Operating revenues</b>	<b>\$27.9</b>	<b>\$37.5</b>	<b>(26%)</b>
Contract acquisition costs	\$15.0	\$29.3	(49%)
Other operating expenses	\$8.6	\$8.4	2%
<b>Operating income before income taxes</b>	<b>\$4.3</b>	<b>\$0.4</b>	<b>NM</b>

## Production

Senior Health		Q4 2022	Q4 2021	% Change
	Approved policies <sup>(1)</sup>	20,705	32,047	(35%)
	LTV per approved policy	\$888	\$1,069	(17%)
	CAC per approved policy	\$722	\$913	(21%)
	LTV/CAC multiple	1.2X	1.2X	

(1) Senior Health approved policies represent an estimate of submitted policies approved by health insurance carriers during the indicated period. Not all approved policies will go in force.

## Insurance & Other Operating Expense Highlights

- Full year 2023 insurance and other operating expenses are expected to increase by around \$22 to \$28 million, or 4% to 5%
  - \$14 million for employee-related costs
  - \$12 million due to growth in the business
  - \$9 million of technology-related costs
  - Benefit from a return to our typical cadence of field leadership events and a lower Canadian exchange rate
- 2023 Allocation by segment:
  - C&O ~45%
  - ISP ~35%
  - Term Life and Senior Health fairly minor year-over-year growth

## Invested Assets Portfolio

- Tailwinds from higher interest rates and growth in the size of portfolio
  - Average credit rating of A
  - Average portfolio duration 4.7 years
- New money rate of 5.95% versus 2.61% in Q4 2021 in longer term insurance portfolios
- Expect net investment income to grow 25% in 2023, assuming a stable rate environment

### Key Portfolio Attributes

(based on amortized cost (except for market value); excludes cash, period end)	Q4 2022
Fixed income / other mix	99%/1%
Fixed income average book yield	3.44%
Average rating	A
Investment grade / below investment grade mix	98%/2%
Average duration	4.7 Years
Market value	\$2.5 billion
Net unrealized loss	(\$306.0) million

### Market Value and Yield of Maturities

(\$ in millions)

