

May 9, 2017



# Primerica Reports First Quarter 2017 Results

***9% increase in life insurance licensed representatives to 117,907***

***6% growth in life insurance policies issued***

***15% increase in Investment and Savings Products (ISP) sales***

***21% growth in net earnings per diluted share (EPS) and  
19% growth in adjusted operating EPS to \$1.11***

DULUTH, Ga.--(BUSINESS WIRE)-- Primerica, Inc. (NYSE: PRI) today announced financial results for the quarter ended March 31, 2017. In the first quarter, total revenues increased 12% and adjusted operating revenues increased 11% to \$405.2 million and \$405.0 million, respectively. Net income grew 15% to \$52.1 million and adjusted net operating income grew 14% to \$52.0 million compared with the first quarter of 2016.

Glenn Williams, Chief Executive Officer, said, "We achieved a 21% increase in EPS and a 130 basis points increase in return on equity (ROE) compared to the first quarter a year ago reflecting solid earnings and ongoing share repurchases. Strong organic growth continued with our life insurance licensed sales force reaching almost 118,000 representatives and a 6% year-over-year growth in life insurance policies issued. In addition, our Investment and Savings Products sales grew 15% year-over-year to a record \$1.6 billion in first quarter 2017. We are optimistic about the future and our ability to drive growth and deliver long-term value for all of our stakeholders."

First quarter results reflect a 13% increase in Term Life net premiums. Continued organic growth was partially offset by weaker persistency and claims experience during the quarter. Strong ISP performance was driven by 15% growth in both sales and average client asset values year-over-year. Insurance and other operating expenses, which are typically highest in the first quarter due to annual employee equity award grants, increased year-over-year from growth in the size of the business, annual employee merit increases and continued development of technology platforms. During the quarter, earnings growth and continued share repurchases drove EPS and adjusted operating EPS both to \$1.11, increasing 21% and 19%, respectively, compared to the first quarter a year ago. ROE expanded to 16.9% and adjusted operating ROAE expanded to 17.5% in the first quarter versus 15.6% and 16.3%, respectively, in the prior year period.

## First Quarter Distribution & Segment Results

### Distribution Results

| <u>Q1 2017</u> | <u>Q1 2016</u> | <u>% Change</u> | <u>Q4 2016</u> | <u>% Change</u> |
|----------------|----------------|-----------------|----------------|-----------------|
|----------------|----------------|-----------------|----------------|-----------------|

|   |          |          |     |          |       |
|---|----------|----------|-----|----------|-------|
| Life Licensed Sales Force <sup>(1)</sup>  | 117,907  | 108,220  | 9%  | 116,827  | 1%    |
| Recruits                                  | 70,983   | 63,427   | 12% | 60,326   | 18%   |
| New Life-Licensed Representatives         | 10,903   | 9,666    | 13% | 11,148   | (2)%  |
| Life Insurance Policies Issued            | 70,642   | 66,376   | 6%  | 79,110   | (11)% |
| Life Productivity <sup>(2)</sup>          | 0.20     | 0.21     | *   | 0.23     | *     |
| ISP Product Sales (\$ billions)           | \$ 1.59  | \$ 1.38  | 15% | \$ 1.41  | 13%   |
| Average Client Asset Values (\$ billions) | \$ 53.82 | \$ 46.65 | 15% | \$ 51.45 | 5%    |

(1) End of period

(2) Life productivity equals policies issued divided by the average number of life insurance licensed representatives per month

\* Not calculated or less than 1%

|  | <b>Segment Results</b>   |                  |                 |                  |                 |
|--|--------------------------|------------------|-----------------|------------------|-----------------|
|  | <b>Q1 2017</b>           | <b>Q1 2016</b>   | <b>% Change</b> | <b>Q4 2016</b>   | <b>% Change</b> |
|  | <i>(\$ in thousands)</i> |                  |                 |                  |                 |
| <b>Adjusted Operating Revenues:</b>  |                          |                  |                 |                  |                 |
| (1)  |                          |                  |                 |                  |                 |
| Term Life Insurance  | \$234,051                | \$206,095        | 14%             | \$227,128        | 3%              |
| Investment and Savings Products  | 140,407                  | 124,918          | 12%             | 137,016          | 2%              |
| Corporate and Other Distributed Products                                   | 30,572                   | 32,370           | (6)%            | 28,255           | 8%              |
| Total adjusted operating revenues <sup>(1)</sup>                           | <u>\$405,030</u>         | <u>\$363,383</u> | 11%             | <u>\$392,399</u> | 3%              |
| <b>Adjusted Operating Income (Loss) before income taxes:<sup>(1)</sup></b> |                          |                  |                 |                  |                 |
| Term Life Insurance  | \$ 49,022                | \$ 46,078        | 6%              | \$ 51,127        | (4)%            |
| Investment and Savings Products  | 37,119                   | 31,691           | 17%             | 40,840           | (9)%            |
| Corporate and Other Distributed Products                                   | (11,433)                 | (6,774)          | 69%             | (6,368)          | 80%             |
| Total adjusted operating income before income taxes <sup>(1)</sup>         | <u>\$ 74,708</u>         | <u>\$ 70,995</u> | 5%              | <u>\$ 85,599</u> | (13)%           |

(1) See the Non-GAAP Financial Measures section and the segment Adjusted Operating Results Reconciliations at the end of this release for additional information.

**Life Insurance Licensed Sales Force.** Strong recruiting and licensing trends in recent quarters resulted in 9% year-over-year growth in the life insurance licensed sales force to 117,907 representatives at the end of the first quarter. Recruiting of new representatives increased 12% and new life insurance licenses were 13% higher than the prior year period. On a sequential quarter basis, recruiting increased 18% from the typically slower holiday season and new life insurance licenses declined 2% as a result of typically lower recruiting levels in the fourth quarter.

**Term Life Insurance.** In the first quarter of 2017, Term Life insurance policies issued increased 6% year-over-year reflecting the larger life insurance licensed sales force and productivity of 0.20 policies per life insurance licensed representative per month. While still in the historical range, productivity was moderately lower than recent quarters due to seasonality in the first quarter following the slower holiday season. Term Life revenues increased 14% to \$234.1 million compared with the year ago period, driven by a 13% increase in net premiums from higher levels of issued policies in recent years and the growth of in-force business not subject to IPO-related coinsurance agreements. Income before income taxes increased 6% to \$49.0 million year-over-year. Deferred acquisition costs amortization was higher than expected in the first quarter with \$2.5 million related to weaker persistency and approximately \$1.5 million attributable to certain policies held by clients in Louisiana that we restricted from lapsing in 2016 at the state insurance department's request due to severe flooding last year. Many of these policies ultimately lapsed in the first quarter once the restriction was removed. Benefits and claims were about \$3 million higher than expected during the quarter reflecting a frequency of claims above historical trends, partially offset by lower reserve increases from weaker persistency experience. Insurance expenses increased \$4.7 million year-over-year primarily due to growth-related costs, annual employee merit increases and technology spending. Additional costs to enhance our sales force's mobile technology capabilities were largely offset by growth in other net revenues.

**Investment and Savings Products.** In the first quarter, ISP revenues increased 12% to \$140.4 million and income before income taxes grew 17% to \$37.1 million compared with the year ago period. Product sales grew 15% year-over-year with U.S. retail mutual fund sales increasing 25% and variable annuity sales declining 5% consistent with recent industry trends. Sales-based revenue growth lagged revenue-generating sales growth due to the mix of product sales during the quarter. Net flows were positive \$320 million and client asset values increased 14% to \$54.9 billion at the end of the first quarter. Account-based revenue grew 17% year-over-year largely related to a change made in the account-based fee structure in the fourth quarter of 2016 as well as a higher number of accounts than the prior year period. ISP expenses increased approximately \$2.5 million from the year ago period largely due to costs related to growth in the business, the launch of the Primerica Advisors Lifetime Investment Platform and technology enhancements.

**Corporate and Other Distributed Products (C&O)** C&O adjusted operating revenues were \$30.6 million and adjusted operating losses before income taxes were \$11.4 million in the first quarter of 2017. Net investment income was negatively impacted by lower portfolio yield than in the prior year period, offset by a larger invested asset portfolio. The impact on net investment income from the mark-to-market on the deposit asset backing an IPO-related reinsurance agreement was negligible in the first quarter of 2017; however, the prior year period included an approximate \$1 million positive mark-to-market adjustment. Net unrealized gains increased to \$73.0 million at quarter-end from \$65.8 million at December

31, 2016.

## **Taxes**

The effective income tax rate for the first quarter of 2017 was 30.4%, down from 35.7% in the prior year period, primarily reflecting excess tax benefits of \$3.3 million from the adoption of Accounting Standards Update 2016-09, which requires the excess tax benefit or expense for the difference between the stock price of equity awards at the time of grant and vesting to be recorded in the income statement rather than directly to equity in the balance sheet. Also impacting the tax rate was the recognition of approximately \$0.7 million of certain tax benefits for which the statute of limitations expired during the first quarter.

## **Capital**

Primerica repurchased \$29.8 million or 382,657 shares of its common stock in the first quarter of 2017. Primerica Life Insurance Company's statutory risk-based capital (RBC) ratio was estimated to be approximately 440% as of March 31, 2017.

## **Non-GAAP Financial Measures**

We report financial results in accordance with U.S. generally accepted accounting principles (GAAP). We also present adjusted direct premiums, other ceded premiums, adjusted operating revenues, adjusted operating income before income taxes, net adjusted operating income, adjusted stockholders' equity and diluted adjusted operating earnings per share. Adjusted direct premiums and other ceded premiums are net of amounts ceded under coinsurance transactions that were executed concurrent with our initial public offering (IPO) for all periods presented. We exclude amounts ceded under the IPO coinsurance transactions in measuring adjusted direct premiums and other ceded premiums to present meaningful comparisons of the actual premiums economically maintained by the Company. Amounts ceded under the IPO coinsurance transactions will continue to decline over time as policies terminate within this block of business. Adjusted operating revenues, adjusted operating income before income taxes, net adjusted operating income, and diluted adjusted operating earnings per share exclude the impact of realized investment gains and losses, including other-than-temporary impairments (OTTI), for all periods presented. We exclude realized investment gains and losses in measuring adjusted operating revenues to eliminate period-over-period fluctuations that may obscure comparisons of operating results due to items such as the timing of recognizing gains and losses and other factors prior to an invested asset's maturity that are not directly associated with the Company's insurance operations. Adjusted stockholders' equity excludes the impact of net unrealized investment gains and losses recorded in other comprehensive income (loss) for all periods presented. We exclude unrealized investment gains and losses in measuring adjusted stockholders' equity as unrealized gains and losses from the Company's invested assets are largely caused by market movements in interest rates and credit spreads that do not necessarily correlate with the cash flows we will ultimately realize when an invested asset matures or is sold.

The definitions of these non-GAAP financial measures may differ from the definitions of similar measures used by other companies. Management uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating financial performance. Furthermore, management believes that these non-GAAP financial measures

may provide users with additional meaningful comparisons between current results and results of prior periods as they are expected to be reflective of the core ongoing business. These measures have limitations, and investors should not consider them in isolation or as a substitute for analysis of the results as reported under GAAP. Reconciliations of GAAP to non-GAAP financial measures are attached to this release.

### **Earnings Webcast Information**

Primerica will hold a webcast Wednesday, May 10, 2017 at 10:00 am EDT, to discuss first quarter results. This release and a detailed financial supplement will be posted on Primerica's website. Investors are encouraged to review these materials. To access the webcast go to <http://investors.primerica.com> at least 15 minutes prior to the event to register, download and install any necessary software.

A replay of the call will be available for approximately 30 days on Primerica's website, <http://investors.primerica.com>.

### **Forward-Looking Statements**

Except for historical information contained in this press release, the statements in this release are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements contain known and unknown risks and uncertainties that may cause our actual results in future periods to differ materially from anticipated or projected results. Those risks and uncertainties include, among others, our failure to continue to attract and license new recruits, retain sales representatives or license or maintain the licensing of our sales representatives; changes to the independent contractor status of our sales representatives; our or our sales representatives' violation of or non-compliance with laws and regulations or the failure to protect the confidentiality of client information; differences between our actual experience and our expectations regarding mortality, persistency, expenses and interest rates as reflected in the pricing for our insurance policies; the occurrence of a catastrophic event that causes a large number of premature deaths of our insureds; changes in federal and state legislation, including other legislation or regulation that affects our insurance and investment product businesses, such as the DOL's rule defining who is a "fiduciary" of a qualified retirement plan as a result of giving investment advice; our failure to meet RBC standards or other minimum capital and surplus requirements; a downgrade or potential downgrade in our insurance subsidiaries' financial strength ratings or our senior debt ratings; the effects of credit deterioration and interest rate fluctuations on our invested asset portfolio; incorrectly valuing our investments; inadequate or unaffordable reinsurance or the failure of our reinsurers to perform their obligations; the failure of, or legal challenges to, the support tools we provide to our sales force; heightened standards of conduct or more stringent licensing requirements for our sales representatives; inadequate policies and procedures regarding suitability review of client transactions; the failure of our investment products to remain competitive with other investment options or the change to investment and savings products offered by key providers in a way that is not beneficial to our business; fluctuations in the performance of client assets under management; the inability of our subsidiaries to pay dividends or make distributions; our inability to generate and maintain a sufficient amount of working capital; our non-compliance with the covenants of our senior unsecured debt; legal and regulatory investigations and actions concerning us or our sales representatives; the loss of key personnel; the failure of our information technology systems, breach of our information

security or failure of our business continuity plan; and fluctuations in Canadian currency exchange rates . These and other risks and uncertainties affecting us are more fully described in our filings with the Securities and Exchange Commission, which are available in the "Investor Relations" section of our website at <http://investors.primerica.com>. Primerica assumes no duty to update its forward-looking statements as of any future date.

## About Primerica, Inc.

Primerica, Inc., headquartered in Duluth, GA, is a leading distributor of financial products to middle income households in North America. Primerica representatives educate their Main Street clients about how to better prepare for a more secure financial future by assessing their needs and providing appropriate solutions through term life insurance, which we underwrite, and mutual funds, annuities and other financial products, which we distribute primarily on behalf of third parties. In addition, Primerica provides an entrepreneurial full or part-time business opportunity for individuals seeking to earn income by distributing the company's financial products. We insured approximately 5 million lives and have over 2 million client investment accounts at December 31, 2016. Primerica stock is included in the S&P MidCap 400 and the Russell 2000 stock indices and is traded on The New York Stock Exchange under the symbol "PRI".

### PRIMERICA, INC. AND SUBSIDIARIES Condensed Consolidated Balance Sheets (Unaudited)

|   | March 31, 2017        | December 31, 2016 |
|---|-----------------------|-------------------|
|   | <i>(In thousands)</i> |                   |
| <b>Assets</b>   |                       |                   |
| Investments:  |                       |                   |
| Fixed-maturity securities available-for-sale, at fair value   | \$ 1,832,228          | \$ 1,792,438      |
| Fixed-maturity securities-held-to-maturity, at amortized cost | 535,160               | 503,230           |
| Equity securities available-for-sale, at fair value           | 46,437                | 44,894            |
| Trading securities, at fair value                             | 12,737                | 7,383             |
| Policy loans  | 32,969                | 30,916            |
| Total investments   | 2,459,531             | 2,378,861         |
| Cash and cash equivalents                                     | 185,762               | 211,976           |
| Accrued investment income                                     | 17,654                | 16,520            |
| Due from reinsurers   | 4,219,547             | 4,193,562         |
| Deferred policy acquisition costs, net                        | 1,767,681             | 1,713,065         |
| Agent balances, due premiums and other receivables            | 215,567               | 210,448           |
| Intangible assets, net  | 54,065                | 54,915            |
| Income taxes  | 37,731                | 37,369            |
| Other assets  | 356,139               | 334,274           |
| Separate account assets                                       | 2,356,320             | 2,287,953         |

|   |               |               |
|---|---------------|---------------|
| Total assets  | \$ 11,669,997 | \$ 11,438,943 |
| <b>Liabilities and Stockholders' Equity</b>               |               |               |
| Liabilities:  |               |               |
| Future policy benefits                                    | \$ 5,736,313  | \$ 5,673,890  |
| Unearned premiums   | 511           | 527           |
| Policy claims and other benefits payable                  | 268,397       | 268,136       |
| Other policyholders' funds                                | 373,733       | 363,038       |
| Notes payable   | 373,011       | 372,919       |
| Surplus note  | 534,435       | 502,491       |
| Income taxes  | 237,719       | 225,006       |
| Other liabilities   | 449,734       | 449,963       |
| Payable under securities lending                          | 93,326        | 73,646        |
| Separate account liabilities                              | 2,356,320     | 2,287,953     |
| Total liabilities   | 10,423,499    | 10,217,569    |
| Stockholders' equity:                                     |               |               |
| Common stock  | 455           | 457           |
| Paid-in capital   | 28,606        | 52,468        |
| Retained earnings   | 1,182,039     | 1,138,851     |
| Accumulated other comprehensive income, net of income tax | 35,398        | 29,598        |
| Total stockholders' equity                                | 1,246,498     | 1,221,374     |
| Total liabilities and stockholders' equity                | \$ 11,669,997 | \$ 11,438,943 |

**PRIMERICA, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Income**  
**(Unaudited)**

|  | Three months ended March 31, |            |
|--|------------------------------|------------|
|  | 2017                         | 2016       |
| <i>(In thousands, except per-share amounts)</i>    |                              |            |
| <b>Revenues:</b>                                   |                              |            |
| Direct premiums                                    | \$ 627,698                   | \$ 597,130 |
| Ceded premiums                                     | (399,769)                    | (395,333)  |
| Net premiums                                       | 227,929                      | 201,797    |
| Commissions and fees                               | 144,268                      | 128,821    |
| Net investment income                              | 19,894                       | 21,238     |
| Realized investment gains (losses), including OTTI | 134                          | (783)      |
| Other, net   | 12,939                       | 11,527     |
| Total revenues                                     | 405,164                      | 362,600    |

**Benefits and expenses:**

|   |           |           |
|---|-----------|-----------|
| Benefits and claims                               | 102,385   | 90,977    |
| Amortization of deferred policy acquisition costs | 51,850    | 43,129    |
| Sales commissions                                 | 73,704    | 66,643    |
| Insurance expenses                                | 37,621    | 33,130    |
| Insurance commissions                             | 4,899     | 4,147     |
| Interest expense                                  | 7,127     | 7,173     |
| Other operating expenses                          | 52,736    | 47,189    |
| Total benefits and expenses                       | 330,322   | 292,388   |
| Income before income taxes                        | 74,842    | 70,212    |
| Income taxes                                      | 22,772    | 25,036    |
| Net income  | \$ 52,070 | \$ 45,176 |

**Earnings per share:**

|                            |         |         |
|----------------------------|---------|---------|
| Basic earnings per share   | \$ 1.12 | \$ 0.92 |
| Diluted earnings per share | \$ 1.11 | \$ 0.92 |

**Shares used in computing earnings per share:**

|         |        |        |
|---------|--------|--------|
| Basic   | 46,301 | 48,550 |
| Diluted | 46,374 | 48,574 |

**PRIMERICA, INC. AND SUBSIDIARIES**  
**Consolidated Adjusted Operating Results Reconciliation**  
**(Unaudited – in thousands, except per share amounts)**

|  | <b>Three months ended March 31,</b> |             |                 |
|--|-------------------------------------|-------------|-----------------|
|  | <b>2017</b>                         | <b>2016</b> | <b>% Change</b> |
| Total revenues   | \$ 405,164                          | \$ 362,600  | 12%             |
| Less: Realized investment gains (losses), including OTTI | 134                                 | (783)       |                 |
| Adjusted operating revenues                              | \$ 405,030                          | \$ 363,383  | 11%             |
| Income before income taxes                               | \$ 74,842                           | \$ 70,212   | 7%              |
| Less: Realized investment gains (losses), including OTTI | 134                                 | (783)       |                 |
| Adjusted operating income before income taxes            | \$ 74,708                           | \$ 70,995   | 5%              |



|  |    |               |    |               |     |
|--|----|---------------|----|---------------|-----|
| Net income   | \$ | 52,070        | \$ | 45,176        | 15% |
| Less: Realized investment gains (losses), including OTTI |    | 134           |    | (783)         |     |
| Less: Tax impact of reconciling items                    |    | (41)          |    | 279           |     |
| Net adjusted operating income                            | \$ | <u>51,977</u> | \$ | <u>45,680</u> | 14% |
| Diluted earnings per share (1)                           | \$ | 1.11          | \$ | 0.92          | 21% |
| Less: Net after-tax impact of operating adjustments      |    | 0.00          |    | (0.01)        |     |
| Diluted adjusted operating earnings per share (1)        | \$ | <u>1.11</u>   | \$ | <u>0.93</u>   | 19% |

(1) Percentage change in earnings per share is calculated prior to rounding per share amounts.

**TERM LIFE INSURANCE SEGMENT**  
**Adjusted Premiums Reconciliation**  
(Unaudited – in thousands)

|  | <b>Three months ended March 31,</b> |                    |
|--|-------------------------------------|--------------------|
|  | <b>2017</b>                         | <b>2016</b>        |
| Direct premiums                        | \$ 620,379                          | \$ 589,244         |
| Less: Premiums ceded to IPO coinsurers | 312,982                             | 321,494            |
| Adjusted direct premiums               | <u>\$ 307,397</u>                   | <u>\$ 267,750</u>  |
| Ceded premiums                         | \$ (398,077)                        | \$ (393,270)       |
| Less: Premiums ceded to IPO coinsurers | (312,982)                           | (321,494)          |
| Other ceded premiums                   | <u>\$ (85,095)</u>                  | <u>\$ (71,776)</u> |
| Net premiums                           | <u>\$ 222,302</u>                   | <u>\$ 195,974</u>  |

**CORPORATE AND OTHER DISTRIBUTED PRODUCTS SEGMENT**  
**Adjusted Operating Results Reconciliation**  
(Unaudited – in thousands)

**Three months ended March 31,**

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|  | <b>2017</b>        | <b>2016</b>       |
|--|--------------------|-------------------|
| Total revenues   | \$ 30,706          | \$ 31,586         |
| Less: Realized investment gains (losses), including OTTI | 134                | (783)             |
| Adjusted operating revenues                              | <u>\$ 30,572</u>   | <u>\$ 32,369</u>  |
| Loss before income taxes                                 | \$ (11,299)        | \$ (7,557)        |
| Less: Realized investment gains (losses), including OTTI | 134                | (783)             |
| Adjusted operating loss before income taxes              | <u>\$ (11,433)</u> | <u>\$ (6,774)</u> |

**PRIMERICA, INC. AND SUBSIDIARIES**  
**Adjusted Stockholders' Equity Reconciliation**  
**(Unaudited – in thousands)**

|   | <b>March 31, 2017</b> | <b>December 31, 2016</b> |
|---|-----------------------|--------------------------|
| Stockholders' equity  | \$ 1,246,498          | \$ 1,221,374             |
| Less: Unrealized net investment gains recorded in stockholders' equity, net of income tax | 47,479                | 42,791                   |
| Adjusted stockholders' equity   | <u>\$ 1,199,019</u>   | <u>\$ 1,178,583</u>      |

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