

Primerica, Inc.  
Form 10-Q  
November 05, 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 September 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 October 31, 2015
Common Stock, \$0.01 Par Value	48,361,806 shares



TABLE OF CONTENTS

	Page
<u>PART I – FINANCIAL INFORMATION</u>	1
<u>Item 1. Financial Statements (unaudited).</u>	1
<u>Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014</u>	1
<u>Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2015 and 2014</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2015 and 2014</u>	3
<u>Condensed Consolidated Statements of Stockholders’ Equity for the nine months ended September 30, 2015 and 2014</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	20
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk.</u>	36
<u>Item 4. Controls and Procedures.</u>	36
<u>PART II – OTHER INFORMATION</u>	37
<u>Item 1. Legal Proceedings.</u>	37
<u>Item 1A. Risk Factors.</u>	37
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	39
<u>Item 6. Exhibits.</u>	39
<u>Signatures</u>	41

## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

## PRIMERICA, INC. AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

	(Unaudited)	
	September	December
	30, 2015	31, 2014
	(In thousands)	
<b>Assets:</b>		
<b>Investments:</b>		
Fixed-maturity securities available-for-sale, at fair value (amortized cost: \$1,641,568 in 2015 and \$1,667,500 in 2014)	\$ 1,683,166	\$ 1,759,120
Fixed-maturity securities held-to-maturity, at amortized cost (fair value: \$357,153 in 2015 and \$228,809 in 2014)	356,000	220,000
Equity securities available-for-sale, at fair value (cost: \$40,571 in 2015 and \$43,738 in 2014)	45,780	53,390
Trading securities, at fair value (cost: \$6,556 in 2015 and \$7,710 in 2014)	6,534	7,711
Policy loans	28,599	28,095
Total investments	2,120,079	2,068,316
Cash and cash equivalents	160,561	191,997
Accrued investment income	17,800	17,401
Due from reinsurers	4,103,949	4,115,533
Deferred policy acquisition costs, net	1,465,175	1,351,180
Premiums and other receivables	198,846	181,660
Intangible assets, net (accumulated amortization: \$70,978 in 2015 and \$68,426 in 2014)	59,168	61,720
Deferred income taxes	35,859	36,082
Other assets	314,830	273,403
Separate account assets	2,086,598	2,440,303
Total assets	\$ 10,562,865	\$ 10,737,595
<b>Liabilities and Stockholders' Equity:</b>		
<b>Liabilities:</b>		
Future policy benefits	\$ 5,388,042	\$ 5,264,608
Unearned premiums	665	912
Policy claims and other benefits payable	222,720	245,829
Other policyholders' funds	351,879	344,313
Notes payable	374,572	374,532
Surplus note	356,000	220,000
Income taxes	152,315	140,467
Other liabilities	400,173	411,294
Payable under securities lending	83,220	50,211

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Separate account liabilities	2,086,598	2,440,303
Commitments and contingent liabilities (see Commitments and Contingent Liabilities note)		
Total liabilities	9,416,184	9,492,469
Stockholders' equity:		
Common stock (\$0.01 par value; authorized 500,000 in 2015 and 2014; issued and		
outstanding 48,571 shares in 2015 and 52,169 shares in 2014)	486	522
Paid-in capital	195,314	353,337
Retained earnings	912,749	795,740
Accumulated other comprehensive income (loss), net of income tax:		
Unrealized foreign currency translation gains (losses)	(11,684 )	21,681
Net unrealized investment gains (losses):		
Net unrealized investment gains not other-than-temporarily impaired	49,889	74,308
Net unrealized investment losses other-than-temporarily impaired	(73 )	(462 )
Total stockholders' equity	1,146,681	1,245,126
Total liabilities and stockholders' equity	\$ 10,562,865	\$ 10,737,595

See accompanying notes to condensed consolidated financial statements.

## PRIMERICA, INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Income – Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
(In thousands, except per-share amounts)				
<b>Revenues:</b>				
Direct premiums	\$587,882	\$577,482	\$1,753,589	\$1,722,427
Ceded premiums	(393,987)	(402,198)	(1,198,382)	(1,215,459)
Net premiums	193,895	175,284	555,207	506,968
Commissions and fees	132,368	132,928	404,353	391,898
Investment income net of investment expenses	22,487	21,764	67,918	65,044
Interest expense on surplus note	(3,772 )	(1,299 )	(8,954 )	(1,299 )
Net investment income	18,715	20,465	58,964	63,745
Realized investment gains (losses), including other-than-				
temporary impairment losses	(259 )	(281 )	1,623	813
Other, net	11,105	10,445	31,041	30,137
<b>Total revenues</b>	<b>355,824</b>	<b>338,841</b>	<b>1,051,188</b>	<b>993,561</b>
<b>Benefits and expenses:</b>				
Benefits and claims	88,599	81,235	253,621	228,839
Amortization of deferred policy acquisition costs	40,797	36,944	113,392	104,834
Sales commissions	67,402	67,500	207,358	199,985
Insurance expenses	30,261	31,149	93,353	87,106
Insurance commissions	4,619	4,045	11,953	12,009
Interest expense	8,718	8,712	26,036	25,870
Other operating expenses	40,475	45,236	126,887	128,325
<b>Total benefits and expenses</b>	<b>280,871</b>	<b>274,821</b>	<b>832,600</b>	<b>786,968</b>
Income from continuing operations before income taxes	74,953	64,020	218,588	206,593
Income taxes	25,603	22,407	76,664	72,224
Income from continuing operations	49,350	41,613	141,924	134,369
Income (loss) from discontinued operations, net of income taxes	-	(18 )	-	1,578
<b>Net income</b>	<b>\$49,350</b>	<b>\$41,595</b>	<b>\$141,924</b>	<b>\$135,947</b>
<b>Basic earnings per share:</b>				
Continuing operations	\$0.98	\$0.75	\$2.73	\$2.42
Discontinued operations	-	-	-	0.03
<b>Basic earnings per share</b>	<b>\$0.98</b>	<b>\$0.75</b>	<b>\$2.73</b>	<b>\$2.45</b>
<b>Diluted earnings per share:</b>				
Continuing operations	\$0.98	\$0.75	\$2.73	\$2.41
Discontinued operations	-	-	-	0.03
<b>Diluted earnings per share</b>	<b>\$0.98</b>	<b>\$0.75</b>	<b>\$2.73</b>	<b>\$2.44</b>
<b>Weighted-average shares used in computing earnings per share:</b>				
Basic	50,082	54,713	51,494	54,953

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Diluted	50,104	54,744	51,526	54,978
Supplemental disclosures:				
Total impairment losses	\$(1,564 )	\$(515 )	\$(2,433 )	\$(885 )
Impairment losses recognized in other comprehensive income				
before income taxes	-	-	-	-
Net impairment losses recognized in earnings	(1,564 )	(515 )	(2,433 )	(885 )
Other net realized investment gains	1,305	234	4,056	1,698
Realized investment gains, including other-than-				
temporary impairment losses	\$(259 )	\$(281 )	\$1,623	\$813
Dividends declared per share	\$0.16	\$0.12	\$0.48	\$0.36

See accompanying notes to condensed consolidated financial statements.



## PRIMERICA, INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Comprehensive Income (Loss) – Unaudited

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	(In thousands)			
Net income	\$49,350	\$41,595	\$141,924	\$135,947
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses):				
Change in unrealized holding gains (losses) on investment				
securities	(18,019)	(20,132)	(35,078)	18,590
Reclassification adjustment for realized investment (gains)				
losses included in net income	381	80	(1,892)	(686)
Foreign currency translation adjustments:				
Change in unrealized foreign currency translation losses before				
income tax expense (benefit) of \$(171) and \$(366) in 2015 and				
\$(131) and \$(139) in 2014	(16,323)	(11,600)	(33,731)	(11,832)
Total other comprehensive income (loss) before income				
taxes	(33,961)	(31,652)	(70,701)	6,072
Income tax expense (benefit) related to items of other				
comprehensive income (loss)	(6,345)	(7,150)	(13,306)	6,128
Other comprehensive loss, net of income taxes	(27,616)	(24,502)	(57,395)	(56)
Total comprehensive income	\$21,734	\$17,093	\$84,529	\$135,891

See accompanying notes to condensed consolidated financial statements.

## PRIMERICA, INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Stockholders' Equity – Unaudited

	Nine months ended September 30, 2015          2014 (In thousands)	
<b>Common stock:</b>		
Balance, beginning of period	\$522	\$548
Repurchases of common stock	(41 )	(15 )
Net issuance of common stock	5	4
Balance, end of period	486	537
<b>Paid-in capital:</b>		
Balance, beginning of period	353,337	472,633
Share-based compensation	28,073	29,459
Net issuance of common stock	(5 )	(4 )
Repurchases of common stock	(187,180 )	(71,838 )
Adjustments to paid-in capital, other	1,089	(993 )
Balance, end of period	195,314	429,257
<b>Retained earnings:</b>		
Balance, beginning of period	795,740	640,840
Net income	141,924	135,947
Dividends	(24,915 )	(20,049 )
Balance, end of period	912,749	756,738
<b>Accumulated other comprehensive income (loss):</b>		
Balance, beginning of period	95,527	108,006
Change in foreign currency translation adjustment, net of income tax expense (benefit) of \$(366) in 2015 and \$(139) in 2014	(33,365 )	(11,693 )
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 \$(13,148) in 2015 and \$5,790 in 2014	(24,419 )	10,752
Change in net unrealized investment losses other-than-temporarily impaired, net of income tax expense (benefit) of \$208 in 2015 and \$477 in 2014	389	885
Balance, end of period	38,132	107,950
<b>Total stockholders' equity</b>	<b>\$1,146,681</b>	<b>\$1,294,482</b>

See accompanying notes to condensed consolidated financial statements.



## PRIMERICA, INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows – Unaudited

	Nine months ended September 30,	
	2015	2014
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 141,924	\$ 135,947
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Change in future policy benefits and other policy liabilities	165,492	200,406
Deferral of policy acquisition costs	(243,346)	(217,027)
Amortization of deferred policy acquisition costs	113,392	104,834
Change in income taxes	31,349	17,714
Realized investment (gains) losses, including other-than-temporary impairments	(1,623 )	(813 )
Gain from sale of business, net	-	(1,578 )
Accretion and amortization of investments		