

Primerica, Inc.
Form 10-Q
August 08, 2012

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, 2012

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
(State or other jurisdiction of
incorporation or organization)

27-1204330
(I.R.S. Employer
Identification No.)

3120 Breckinridge Boulevard
Duluth, Georgia
(Address of principal executive offices)
(770) 381-1000
(Registrant's telephone number, including area code)

30099
(ZIP 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

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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, 2012
Common Stock, \$.01 Par Value	60,028,946 shares

TABLE OF CONTENTS

	Page
<u>PART I – FINANCIAL INFORMATION</u>	<u>1</u>
<u>Item 1. Financial Statements (unaudited).</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011</u>	<u>1</u>
<u>Condensed Consolidated Statements of Income for the three and six months ended June 30, 2012 and 2011</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2012 and 2011</u>	<u>3</u>
<u>Condensed Consolidated Statements of Stockholders’ Equity for the six months ended June 30, 2012 and 2011</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>25</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk.</u>	<u>43</u>
<u>Item 4. Controls and Procedures.</u>	<u>44</u>
 <u>PART II – OTHER INFORMATION</u>	 <u>45</u>
<u>Item 1. Legal Proceedings.</u>	<u>45</u>
<u>Item 1A. Risk Factors.</u>	<u>45</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	<u>45</u>
<u>Item 3. Defaults Upon Senior Securities.</u>	<u>45</u>
<u>Item 4. Mine Safety Disclosures.</u>	<u>45</u>
<u>Item 5. Other Information.</u>	<u>45</u>
<u>Item 6. Exhibits.</u>	<u>45</u>
 <u>Signatures</u>	 <u>47</u>

Table of Contents

PART I – FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS.
 PRIMERICA, INC. AND SUBSIDIARIES
 Condensed Consolidated Balance Sheets

	June 30, 2012 (unaudited) (In thousands, except per-share amounts)	December 31, 2011
Assets		
Investments:		
Fixed-maturity securities available for sale, at fair value (amortized cost: \$1,663,776 in 2012 and \$1,811,359 in 2011)	\$ 1,823,729	\$ 1,959,156
Equity securities available for sale, at fair value (cost: \$25,033 in 2012 and \$21,329 in 2011)	31,811	26,712
Trading securities, at fair value (cost: \$29,262 in 2012 and \$9,793 in 2011)	29,038	9,640
Policy loans	24,187	25,982
Other invested assets	14	14
Total investments	1,908,779	2,021,504
Cash and cash equivalents	108,062	136,078
Accrued investment income	20,220	21,579
Due from reinsurers	3,903,028	3,855,318
Deferred policy acquisition costs, net	990,558	904,485
Premiums and other receivables	167,746	163,845
Intangible assets, net (accumulated amortization: \$59,920 in 2012 and \$58,218 in 2011)	70,226	71,928
Other assets	281,818	268,485
Separate account assets	2,500,640	2,408,598
Total assets	\$9,951,077	\$9,851,820
Liabilities and Stockholders' Equity		
Liabilities:		
Future policy benefits	\$4,723,359	\$4,614,860
Unearned premiums	9,476	7,022
Policy claims and other benefits payable	236,717	241,754
Other policyholders' funds	347,763	340,766
Note payable	300,000	300,000
Income taxes	82,755	81,316
Other liabilities	329,538	381,496
Payable under securities lending	143,963	149,358
Separate account liabilities	2,500,640	2,408,598
Total liabilities	8,674,211	8,525,170
Stockholders' equity:		
Common stock of (\$.01 par value. Authorized 500,000 in 2012 and 2011 and issued 59,868 shares in 2012 and 64,883 shares in 2011)	599	649
Paid-in capital	693,717	835,232
Retained earnings	426,936	344,104
Accumulated other comprehensive income, net of income tax:		
Unrealized foreign currency translation gains	50,458	51,248
Net unrealized investment gains (losses):		

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Net unrealized investment gains not other-than-temporarily impaired	107,187		97,082	
Net unrealized investment losses other-than-temporarily impaired	(2,031	)	(1,665)
Total stockholders' equity	1,276,866		1,326,650	
Total liabilities and stockholders' equity	\$9,951,077		\$9,851,820	

See accompanying notes to condensed consolidated financial statements.

1

Table of Contents

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income - Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
	(In thousands, except per-share amounts)			
Revenues:				
Direct premiums	\$570,073	\$560,881	\$1,131,110	\$1,112,950
Ceded premiums	(415,815	) (435,564	) (833,978	) (857,802
Net premiums	154,258	125,317	297,132	255,148
Commissions and fees	106,761	108,698	210,666	214,814
Net investment income	23,605	27,229	49,702	55,855
Realized investment gains, including other-than-temporary impairment losses	4,321	2,035	6,452	2,362
Other, net	11,580	11,816	23,174	23,268
Total revenues	300,525	275,095	587,126	551,447
Benefits and expenses:				
Benefits and claims	68,925	57,272	136,858	114,907
Amortization of deferred policy acquisition costs, net	28,205	23,975	54,736	47,204
Sales commissions	51,475	50,273	101,192	100,711
Insurance expenses	24,589	26,988	47,033	42,786
Insurance commissions	6,458	9,534	14,954	18,532
Interest expense	8,506	6,998	15,416	13,995
Other operating expenses	40,446	41,590	81,551	81,591
Total benefits and expenses	228,604	216,630	451,740	419,726
Income before income taxes	71,921	58,465	135,386	131,721
Income taxes	25,741	20,845	47,450	46,830
Net income	\$46,180	\$37,620	\$87,936	\$84,891
Earnings per share:				
Basic	\$0.73	\$0.50	\$1.35	\$1.12
Diluted	\$0.72	\$0.49	\$1.33	\$1.11
Weighted-average shares used in computing earnings per share:				
Basic	61,531	73,457	63,332	73,067
Diluted	62,687	74,201	64,481	74,028
Supplemental disclosures:				
Total impairment losses	\$(203	) \$(66	) \$(904	) \$(333
Impairment losses recognized in other comprehensive income before income taxes	76	—	563	—
Net impairment losses recognized in earnings	(127	) (66	) (341	) (333
Other net realized investment gains	4,448	2,101	6,793	2,695
Realized investment gains, including other-than-temporary impairment	\$4,321	\$2,035	\$6,452	\$2,362

losses

See accompanying notes to condensed consolidated financial statements.

2

Table of Contents

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income - Unaudited

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Net income	\$46,180	\$37,620	\$87,936	\$84,891
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses):				
Change in unrealized holding gains (losses) on investment securities	3,931	16,081	21,445	12,443
Reclassification adjustment for realized investment (gains) losses included in net income	(4,640)	(2,073)	(6,461)	(2,293)
Foreign currency translation adjustments:				
Change in unrealized foreign currency translation gains (losses)	(4,177)	1,041	(869)	3,647
Total other comprehensive income (loss) before income taxes	(4,886)	15,049	14,115	13,797
Income tax expense (benefit) related to items of other comprehensive income (loss)	(298)	4,903	5,166	2,825
Other comprehensive income (loss), net of income taxes	(4,588)	10,146	8,949	10,972
Total comprehensive income	\$41,592	\$47,766	\$96,885	\$95,863

See accompanying notes to condensed consolidated financial statements.

Table of Contents

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity - Unaudited

	Six months ended June 30,	
	2012	2011
	(In thousands, except per-share amounts)	
Common stock:		
Balance, beginning of period	\$649	\$728
Repurchases of common stock	(62	) (2
Net issuance of common stock	12	10
Balance, end of period	599	736
Paid-in capital:		
Balance, beginning of period	835,232	1,010,635
Share-based compensation	17,353	16,246
Net issuance of common stock	(12	) (10
Repurchases of common stock	(160,817	) (4,108
Net capital contributed by (to) Citi	1,961	(1,424
Balance, end of period	693,717	1,021,339
Retained earnings:		
Balance, beginning of period	344,104	194,225
Net income	87,936	84,891
Dividends (\$0.08 per share in 2012 and \$0.04 per share in 2011)	(5,104	) (3,027
Balance, end of period	426,936	276,089
Accumulated other comprehensive income:		
Balance, beginning of period	146,665	150,940
Change in foreign currency translation adjustment, net of income tax expense (benefit) of \$(79) in 2012 and \$0 in 2011	(790	) 3,647
Change in net unrealized investment gains (losses) during the period, net of income taxes:		