

Primerica, Inc.
Form 10-Q
May 06, 2014

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 March 31, 2014

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.)

1 Primerica Parkway
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 April 30, 2014
Common Stock, \$0.01 Par Value	54,415,612 shares

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	March 31, 2014 (Unaudited) (In thousands)	December 31, 2013
Assets		
Investments:		
Fixed-maturity securities available for sale, at fair value (amortized cost: \$1,667,585 in 2014 and \$1,663,022 in 2013)	\$1,771,572	\$1,755,712
Equity securities available for sale, at fair value (cost: \$37,875 in 2014 and \$32,592 in 2013)	47,086	39,894
Trading securities, at fair value (cost: \$10,981 in 2014 and \$13,025 in 2013)	10,934	12,991
Policy loans	26,580	26,806
Total investments	1,856,172	1,835,403
Cash and cash equivalents	158,438	149,189
Accrued investment income	19,689	18,127
Due from reinsurers	4,074,527	4,055,054
Deferred policy acquisition costs, net	1,242,983	1,208,466
Premiums and other receivables	170,577	175,789
Intangible assets, net (accumulated amortization: \$66,303 in 2014 and \$65,131 in 2013)	67,692	68,863
Income taxes	35,548	32,450
Other assets	303,759	282,780
Separate account assets	2,458,739	2,503,829
Total assets	\$10,388,124	\$10,329,950
Liabilities and Stockholders' Equity		
Liabilities:		
Future policy benefits	\$5,103,278	\$5,063,103
Unearned premiums	1,465	1,802
Policy claims and other benefits payable	243,576	253,304
Other policyholders' funds	340,175	337,977
Notes payable	374,494	374,481
Income taxes	127,906	105,885
Other liabilities	375,864	377,690
Payable under securities lending	109,094	89,852
Separate account liabilities	2,458,739	2,503,829
Commitments and contingent liabilities (see Commitments and Contingent Liabilities note)		
Total liabilities	9,134,591	9,107,923
Stockholders' equity:		
Common stock (\$0.01 par value; authorized 500,000 in 2014 and 2013; and issued 54,569 shares in 2014 and 54,834 shares in 2013)	546	548
Paid-in capital	462,838	472,633
Retained earnings	679,182	640,840

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Accumulated other comprehensive income (loss), net of income tax:		
Unrealized foreign currency translation gains (losses)	33,403	41,974
Net unrealized investment gains (losses):		
Net unrealized investment gains not other-than-temporarily impaired	78,911	67,379
Net unrealized investment losses other-than-temporarily impaired	(1,347	) (1,347
Total stockholders' equity	1,253,533	1,222,027
Total liabilities and stockholders' equity	\$10,388,124	\$10,329,950
See accompanying notes to condensed consolidated financial statements.		

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PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income — Unaudited

	Three months ended March 31,	
	2014	2013
	(In thousands, except per-share amounts)	
Revenues:		
Direct premiums	\$568,205	\$560,904
Ceded premiums	(402,715	) (410,604
Net premiums	165,490	150,300
Commissions and fees	126,933	112,273
Net investment income	21,599	23,216
Realized investment gains (losses), including other-than-temporary impairment losses	263	2,286
Other, net	10,043	10,375
Total revenues	324,328	298,450
Benefits and expenses:		
Benefits and claims	75,191	68,816
Amortization of deferred policy acquisition costs	35,193	31,252
Sales commissions	65,121	55,048
Insurance expenses	28,502	25,512
Insurance commissions	4,083	4,223
Interest expense	8,606	8,795
Other operating expenses	40,800	45,664
Total benefits and expenses	257,496	239,310
Income from continuing operations before income taxes	66,832	59,140
Income taxes	23,347	21,005
Income from continuing operations	43,485	38,135
Income from discontinued operations, net of income taxes	1,595	710
Net income	\$45,080	\$38,845
Basic earnings per share:		
Continuing operations	\$0.78	\$0.66
Discontinued operations	0.03	0.01
Basic earnings per share	\$0.81	\$0.67
Diluted earnings per share:		
Continuing operations	\$0.78	\$0.64
Discontinued operations	0.03	0.01
Diluted earnings per share	\$0.81	\$0.65
Weighted-average shares used in computing earnings per share:		
Basic	55,211	56,598
Diluted	55,233	58,407
Supplemental disclosures:		
Total impairment losses	\$(149	) \$(86
Impairment losses recognized in other comprehensive income before income taxes	—	15

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Net impairment losses recognized in earnings	(149)	(71)
Other net realized investment gains (losses)	412		2,357	
Realized investment gains (losses), including other-than-temporary impairment losses	\$263		\$2,286	
Dividends declared per share	\$0.12		\$0.11	
See accompanying notes to condensed consolidated financial statements.				

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PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income — Unaudited

	Three months ended March 31,		
	2014	2013	
	(In thousands)		
Net income	\$45,080	\$38,845	
Other comprehensive income (loss) before income taxes:			
Unrealized investment gains (losses):			
Change in unrealized holding gains (losses) on investment securities	17,930	(2,500)
Reclassification adjustment for realized investment (gains) losses included in net income	(188	) (1,659)
Foreign currency translation adjustments:			
Change in unrealized foreign currency translation gains (losses)	(8,677	) (4,188)
Total other comprehensive income (loss) before income taxes	9,065	(8,347)
Income tax expense (benefit) related to items of other comprehensive income (loss)	6,104	(1,514)
Other comprehensive income (loss), net of income taxes	2,961	(6,833)
Total comprehensive income	\$48,041	\$32,012	

See accompanying notes to condensed consolidated financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity — Unaudited

	Three months ended March 31,	
	2014	2013
	(In thousands)	
Common stock:		
Balance, beginning of period	\$548	\$564
Repurchases of common stock	(4	) (1
Net issuance of common stock	2	4
Balance, end of period	546	567
Paid-in capital:		
Balance, beginning of period	472,633	602,269
Share-based compensation	9,699	9,912
Net issuance of common stock	(2	) (4
Repurchases of common stock	(19,183	) (3,077
Adjustments to paid-in capital, other	(309) —
Balance, end of period	462,838	609,100
Retained earnings:		
Balance, beginning of period	640,840	503,173
Net income	45,080	38,845
Dividends	(6,738	) (6,409
Balance, end of period	679,182	535,609
Accumulated other comprehensive income (loss):		
Balance, beginning of period	108,006	169,410
Change in foreign currency translation adjustment, net of income tax expense (benefit) of \$(106) in 2014 and \$(59) in 2013	(8,571	) (4,129
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 \$6,210 in 2014 and \$(1,450) in 2013		(2,694
Change in net unrealized investment losses other-than-temporarily impaired, net of income tax benefit of \$0 in 2014 and \$(5) in 2013	—	(10
Balance, end of period	110,967	162,577
Total stockholders' equity	\$1,253,533	\$1,307,853

See accompanying notes to condensed consolidated financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows — Unaudited

	Three months ended March 31,	
	2014	2013
	(In thousands)	
Cash flows from operating activities:		
Net income	\$45,080	\$38,845
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Change in future policy benefits and other policy liabilities	54,542	65,701
Deferral of policy acquisition costs	(73,045)	(62,874)
Amortization of deferred policy acquisition costs	35,193	31,252
Change in income taxes	14,906	2,309
Realized investment (gains) losses, including other-than-temporary impairments	(263)	(2,286)
Gain from sale of business, net	(1,595)	—
Accretion and amortization of investments	(597)	(526)
Depreciation and amortization	2,884	2,424
Change in due from reinsurers	(32,759)	(7,685)
Change in premiums and other receivables	(4,173)	(6,829)
Trading securities sold, matured, or called (acquired), net	2,036	(1,654)
Share-based compensation	2,848	5,196
Change in other operating assets and liabilities, net	(7,317)	499
Net cash provided by (used in) operating activities	37,740	64,372
Cash flows from investing activities:		
Available-for-sale investments sold, matured or called:		
Fixed-maturity securities — sold	21,094	15,878
Fixed-maturity securities — matured or called	91,596	62,567
Equity securities	188	148
Available-for-sale investments acquired:		
Fixed-maturity securities	(113,508)	(34,958)
Equity securities	(5,106)	(46)
Purchases of property and equipment and other investing activities, net	(1,491)	(8,688)
Proceeds from sale of business	3,000	—
Cash collateral received (returned) on loaned securities, net	19,242	(6,602)
Sales (purchases) of short-term investments using securities lending collateral, net	(19,242)	6,602
Net cash provided by (used in) investing activities	(4,227)	34,901
Cash flows from financing activities:		
Dividends paid	(6,738)	(6,409)
Common stock repurchased	(19,187)	(3,078)
Excess tax benefits on share-based compensation		