The Primerica insurance policy document provides a comprehensive overview of the company's strategic positioning and financial performance as of April 2024. With over 45 years of growth since its IPO, Primerica is dedicated to serving middle-income families in North America, addressing a significant $14 trillion protection gap in life insurance through a unique distribution model that relies on a large, exclusive sales force. This model fosters long-term client relationships and generates recurring revenue, as Primerica's products are tailored to the life cycle needs of these families. The company has demonstrated strong financial performance, with a consistent ability to grow earnings per share (EPS) and stable cash flow generation, which supports shareholder returns. Its business model includes extensive controls and compliance measures to supervise its primarily part-time sales force, reducing the pressure to oversell and aligning the demographics of the sales force with the communities served.

Primerica's client-centric sales process employs a warm market approach and offers a variety of products, including term life insurance, mutual funds, and retirement savings plans, enhanced by advanced technology that provides representatives with digital tools and training resources. Policyholders are obligated to maintain compliance with licensing requirements and engage in ongoing training. The document notes that Primerica is not a traditional life insurance company, deriving a significant portion of its revenue from fee-based and investment products rather than solely from insurance premiums. The company reported adjusted operating revenues of $2.8 billion for 2023, reflecting a 4% increase from the previous year, with its business segments encompassing term life insurance, investment and savings products, and senior health insurance.

In terms of risk management, Primerica utilizes reinsurance primarily through coinsurance and yearly renewable term (YRT) reinsurance. Initially, at its IPO, the company coinsured 80% of its in-force business but has since ceased using coinsurance for new policies. Currently, Primerica reinsures 90% of mortality risk on a quota share basis, while YRT cedes only mortality risk, with premiums starting low and increasing as policies age. This strategy, in place since 1991, helps manage risk and reduce claim volatility, supported by a high-quality pool of reinsurers.

Capital management is robust, with Primerica Life Insurance Company (PLIC) reporting a risk-based capital ratio of approximately 435% at the end of 2023. The company has consistently returned a significant portion of its operating earnings to shareholders, including a $425 million stock repurchase program approved for 2024 and a 15% increase in the first-quarter dividend. Financial leverage remains modest, with a debt-to-total capitalization ratio of 20.7% at year-end 2023, and interest coverage is satisfied through non-insurance cash flows. Primerica maintains a conservative investment portfolio with a high-quality fixed income average rating of A, relying less on investment income compared to other life insurers.

The financial results indicate an 8% increase in adjusted net operating income from 2022 to 2023, alongside a 15% rise in operating earnings per diluted share. Adjusted operating revenue grew by 4%, driven by increased premiums on term life policies and higher asset-based fees, despite a modest decline in ISP sales. The consolidated balance sheet shows a 3% increase in total assets, with significant growth in invested assets and cash, while liabilities also increased, primarily due to future policy benefits.

Primerica emphasizes its commitment to social responsibility by providing access to financial products for underserved markets, promoting diversity and inclusion, and addressing climate change impacts. The company upholds a strong governance framework with a diverse board and a corporate culture that prioritizes integrity and accountability. Its sustainability approach aligns with its mission to help middle-income families achieve financial independence, actively incorporating environmental considerations into its risk management practices.