



### Introduction to Primerica Full Year 2017

### Forward-Looking Statements and Non-GAAP Financial Measures

#### **Forward-Looking Statements**

This presentation may contain forward-looking statements and information. Additional information and factors that could cause results to differ materially from those in this presentation are available in our Form 10-K for the year ended December 31, 2017, which is available in the "Investor Relations" section of our website, <u>http://investors.primerica.com</u>, as may be updated by subsequent Quarterly Reports on Form 10-Q.

#### **Non-GAAP Financial Measures**

This presentation also contains non-GAAP financial measures. A reconciliation of those measures to GAAP financial measures is included in our Financial Supplement, which is posted in the financial information page of the Investor Relations section of our website, <u>http://investors.primerica.com</u>. Except for the GAAP reconciliations referred to in the preceding sentence, none of the information on our website shall be deemed to be a part of this presentation.

Reported amounts may not agree due to rounding.

#### **Confidential and/or Proprietary Information**

This presentation contains confidential and/or proprietary information that is not otherwise available to the public and that, if disclosed, could cause substantial injury to the competitive position of Primerica. Accordingly, Primerica respectfully requests that this presentation, including any exhibits attached and all materials filed as a supplement in connection herewith, be afforded confidential treatment.



### Compelling Investment Opportunity

| Track Record                 | <ul> <li>Proven 40-year track record, with significant growth since 2010 IPO</li> <li>Experienced and dedicated leadership team</li> </ul> |
|------------------------------|--|
| Unparalleled<br>Distribution | <ul> <li>Large, exclusive life insurance and mutual fund licensed sales force in North America</li> </ul>                                  |
| Growth Opportunity           | <ul> <li>Huge unmet needs in the middle income market</li> <li>Business aligns with demographic trends</li> </ul>                          |
| Diverse Earnings             | <ul> <li>Two complementary business lines generate strong earnings</li> </ul>  |
| Recurring Revenue            | Recurring revenue streams from long-term client relationships  |
| Capital Deployment           | <ul> <li>Significant level of free cash flows generated annually</li> </ul>  |
| Stockholder Returns          | Industry-leading returns with demonstrated growth  |



### Culture of Excellence

"Our purpose is to create financially independent families."

Highly Experienced Management Team with Long Tenure and Deep Understanding of Primerica's Business and Operations



Glenn Williams CEO since '15 President '05 - '15 Joined '81



**Peter Schneider** President since '15 Joined as GC in '00



Alison Rand CFO since '09 Joined '95



Greg Pitts COO since '09 Joined '85

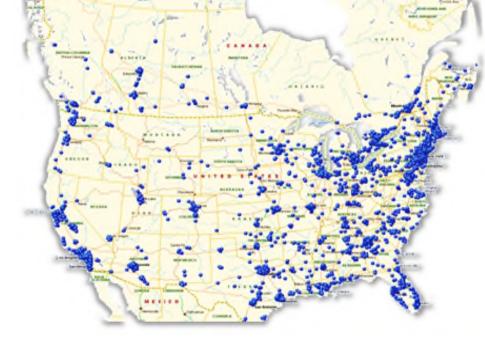
Our difference is our people: > 2,100 dedicated employees > 126,100 life insurance licensed representatives as of 12/31/2017



### Large Sales Force allows effective penetration of the vast, frequently underserved Middle Income Market <sup>1</sup>



# **24,300** mutual fund licensed representatives



**\$764 billion** of Term Life face amount in force

**~\$61 billion** in client asset values

1 As of December 31, 2017

 Approximately 5,000 Primerica Regional Vice President businesses in the U.S., Canada and Puerto Rico<sup>(1)</sup>



# Primerica's Middle Income Clients



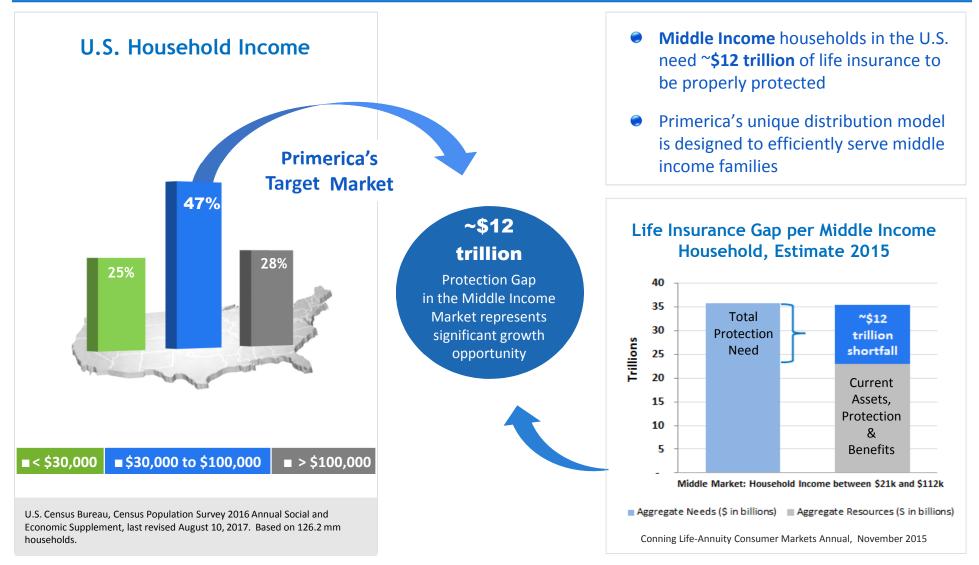


| Average household income <sup>1</sup>                      | \$66,000  |
|--|-----------|
| Average face amount of term life policy <sup>2</sup>       | \$245,000 |
| Average age of life insurance clients <sup>2</sup>         | 37 years  |
| Average initial retail mutual fund investment <sup>2</sup> | \$10,800  |
| Assets in qualified retirement plans <sup>2</sup>          | 74%       |
|  |           |

- 1. 2017 Primerica Financial Need Analysis Clients
- 2. Full-year 2017



# Significant Opportunity to Serve Middle Income Market





# Growth Opportunities Aligned with Demographic Trends

| Millennials                            | <ul> <li>~93 million millennials make up the largest generation in U.S. history <sup>1</sup></li> <li>Primerica's digitized marketing and entrepreneurial culture appeals to millennials</li> <li>43% of Primerica's life insurance licensed representatives are millennials <sup>2</sup></li> </ul>                      |
|--|---|
| Female Decision-<br>Makers are Growing | <ul> <li>Women are 50% more likely than men to seek help from an investment representative <sup>3</sup></li> <li>Percentage of households with women as primary financial decision maker will continue to grow <sup>3</sup></li> <li>31% of Primerica's Regional Vice Presidents (RVPs) are women <sup>2</sup></li> </ul> |
| Diverse Market<br>Growth               | <ul> <li>Diverse markets are expected to grow to ~40% of the U.S. population by 2020 <sup>4</sup></li> <li>Primerica representatives serve clients in their own communities</li> <li>20% of Primerica's RVPs are African-American and 14% of RVPs are Hispanic <sup>2</sup></li> </ul>                                    |
| "Gig Economy"                          | <ul> <li>Number of workers in "Gig Economy" is expected to more than double from 2015 to 2020 <sup>5</sup></li> <li>Primerica offers a low cost and low barrier to entry opportunity to supplement income with a path to become full-time and build a business</li> </ul>   |

4. U.S. Census 2014 Data Tables



2. As of December 31, 2017

## Difficult to Replicate Business Model

Variable cost structure enables high volume of small transactions

Significant experience underwriting Term Life insurance for middle income market

### Exclusive independent contractor sales force

- Representatives are mostly part-time
- ~5,000 RVPs provide leadership and oversight in offices across North America

Extensive communications, training and pre-licensing infrastructure

Cutting-edge sales tools and customized sales support

Broad controls, supervision and surveillance



### Diverse Revenues from Complementary Businesses

### **Business Segments**

### Term Life Insurance

 Term life policies issued by Primerica Life Insurance Company, National Benefit Life Insurance Company and Primerica Life Insurance Company of Canada

#### Investment & Savings Products

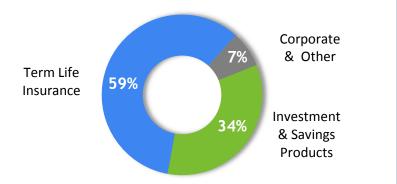
 Retail mutual funds (U.S. / Canada), managed accounts (U.S.), annuities (U.S.), segregated funds (Canada)

#### Corporate & Other Distributed Products

- Corporate income & expenses not allocated to other segments
- Net Investment income
- New York non-term life insurance business from several discontinued lines
- Other Distributed Products
  - Prepaid Legal Services
  - Auto & Homeowners Insurance
  - Long Term Care Insurance

#### Adjusted Operating Revenue (1)

#### 2017 Adjusted Operating Revenues: \$1.69 billion



#### Primerica's Adjusted Operating Results

| (\$ in millions)                                       | 2017    | 2016     |
|--|---------|----------|
| Operating Revenues                                     | \$1,688 | \$ 1,515 |
| Total Adjusted Operating Income before<br>Income Taxes | \$378   | \$334    |
| Adjusted Net Operating Income                          | \$254   | \$217    |
| Adjusted Shareholders' Equity                          | \$1,380 | \$1,179  |
| Adjusted Operating ROAE (2)                            | 20.6%   | 19.0%    |

(1) Operating adjustments remove the impact of realized investment gains and losses(2) Annualized net operating income return on average adjusted equity



# Earnings Drivers

| Business Segment                            | Drivers  |
|---|--|
| Term Life                                   | <ul> <li>Term Life issued policies and dynamics of the IPO reinsurance transactions         <ul> <li>Sales force growth drives Term Life Sales</li> </ul> </li> <li>Claims, lapses and operating expenses</li> </ul> |
| Investment and Savings<br>Products          | <ul> <li>Product sales, asset appreciation and account-based revenue</li> <li>Operating expenses</li> </ul>  |
| Corporate and Other<br>Distributed Products | <ul> <li>Corporate Operating expenses</li> <li>Net Investment Income</li> <li>Other product sales</li> <li>Interest expense</li> </ul>   |

Business mix generates significant free cash flows and opportunity for strong capital deployment



# Not a Traditional Life Insurance Company

|   | Primerica |   | Traditional<br>Life Company |
|---|-----------|---|-----------------------------|
| Operating Revenue <sup>1</sup>  |           |   |                             |
| Fee-Based & Other Revenue   | 38%       | Significant Investment & Savings Products business with substantial recurring revenue | 15%                         |
| Insurance Premiums  | 57%       | Stable margin with extensive reinsurance  | 59%                         |
| Investment Income   | 5%        | Minimal earnings dependency   | 26%                         |
| Investment Leverage <sup>2</sup>  | 2.2x      | Less susceptible to market volatility   | 8.4x                        |
| Net Annualized<br>Operating Return on<br>Average Adjusted Equity <sup>3</sup> | 20.6%     | ROAE above average  | 12.6%                       |

Note: Traditional Life Company references the mean financial metrics of Torchmark, Lincoln Financial, MetLife, Prudential and Unum's metrics are for Financial Services segment only. Peer Adjusted Equity defined as Common Equity less unrealized gains/(losses).

1. For full year 2017

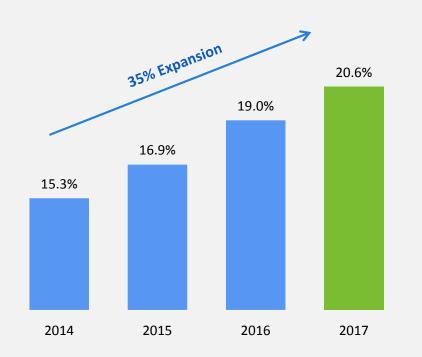
2. Calculated as (Cash + Invested Assets) / Adjusted Equity without unrealized gains

3. Full year 2017 operating income divided by the average of Q1, Q2, Q3 and Q4 2017 average adjusted equity.



# Track Record of Superior Returns

Adjusted Net Operating Income Return on Adjusted Stockholders' Equity (ROAE) (1)



 Net Return on Stockholders' Equity for the comparable periods was 14.3% (2014), 15.9% (2015), 18.3% (2016) and 27.4% (2017)

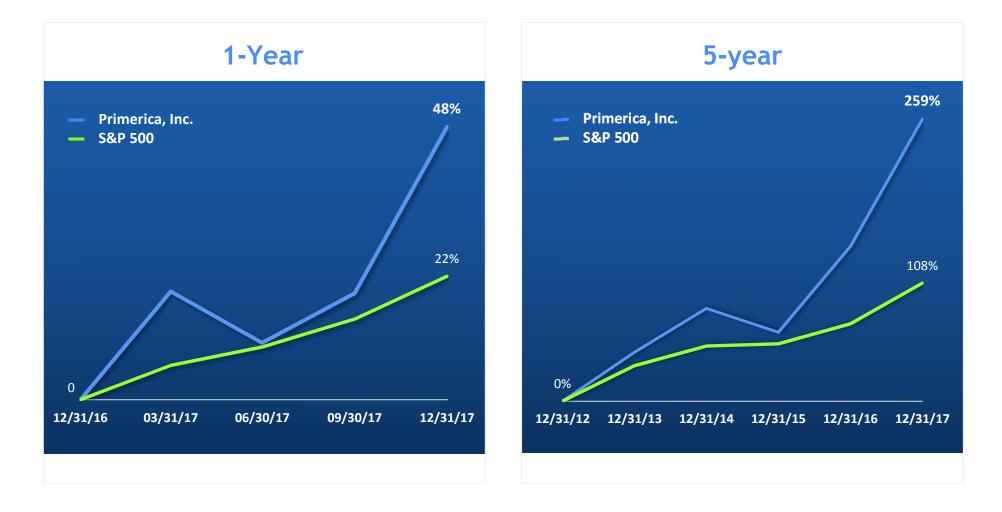
### Adjusted Operating Earnings per Diluted Share <sup>(2)</sup>



(2) Earnings per Diluted Share for the comparable periods was \$3.29 (2014),
 \$3.70 (2015), \$4.59 (2016) and \$7.61 (2017)



### Total Stockholder Return has Consistently Outperformed the S&P 500<sup>(1)</sup>



(1) Total stockholder return measures the stock's performance including dividends

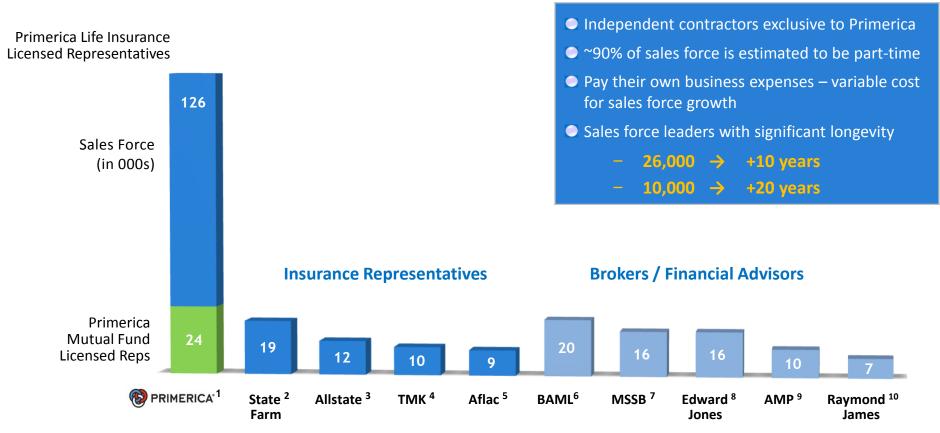






# Distribution

### Distribution is a Competitive Advantage



#### Source: company filings, annual reports and websites

- U.S. and 6,000 in Canada) are also licensed to sell mutual funds in North America as of December 31, 2017
- 2. Number of agents from "State Farm's Fast Facts" on website as of 3/2/2018
- 3. Number of exclusive agencies and financial representatives from Allstate Quarterly Investor Supplement as of 12/31/2017
- 4. Number of producing agents from Torchmark Financial Reports as of 12/31/2017
- 5. Number of U.S. monthly average producer equivalents from Aflac Incorporated Analyst Briefing Supplement Q4 2017
- 1. Size of life sales force as of December 31, 2017. Approximately 24,000 sales representatives (18,000 in the 6. Total primary sales professionals, including financial advisors and wealth advisors from BAML Supplemental Information as of 12/31/2017
  - 7. Wealth management representatives from MSSB Form 10-K as of 12/31/2017
  - 8. Number of financial advisors from Edward Jones Financial Companies Form 10-K as of 12/31/2017
  - 9. Number of financial advisors from Ameriprise Statistical Supplement Q4 2017
  - 10. Total advisors from Raymond James Form 10-K as of 12/31/2017



# Primerica's Licensed Sales Force

| Licensing Progression   | Rep<br>License <sup>(1)</sup>   | Average<br>Tenure |
|---|---|-------------------|
|   | Total Life Insurance ~126,000   | 6 Years           |
| First obtain a Life Insurance<br>License <sup>(2)</sup>                                     | ~103,000 Life only<br>• 97,000 U.S. Reps<br>• 6,000 Canadian Reps                                       | 4<br>Years        |
| Obtain mutual fund license after<br>success selling life insurance &<br>building a business | ~24,000 Mutual Fund <sup>(1)</sup><br>Licensed Representatives<br>• 18,000 in U.S.<br>• 6,000 in Canada | 13<br>Years       |
| Become Investment Advisor reps<br>after success in ISP business                             | 3,400 U.S. Investment Advisor<br>representatives who can sell managed<br>accounts                       | 16<br>Years       |

(1) As of December 31, 2017

(2) Largely part-time representatives



# Sales Force Support

### **Communication & Training**

- Weekly broadcasts from in-house TV Network
- Online Digital Library of training materials
- Face-to-face training in RVP offices





### Marketing

- Proprietary digital sales tools allow representatives to work anywhere and anytime
- Efficient and secure electronic applications with automatic prompts to reduce errors

| PRIMERICA International  | ( Pathenus ( Tors ) Feethers ) Hep ( Ref.  |
|--|--|
| ·  | 6m   |
| Life Insurance   | Inters Oversenal Sets Param  |
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### Licensing

- Mobile pre-licensing certification and test preparation
- 7,400 pre-licensing classes held in 2017





# Business Model Mitigates Risks

### **Business Model**

- Warm market lead generation representatives know their clients
- Basic and easy-to-understand products
- Part-time nature removes pressure to over-sell
- Exclusive relationship with sales representatives allows more control

### **Extensive Controls**

- Supervision system structure based on FINRA rules
- Field Supervision
  - Approximately [100] compliance-related employees: sales force supervisors, field investigators, RVP office auditors, surveillance specialists, etc.
  - Approximately 4,200 principal licensed or Canadian equivalent securities licensed representatives
- Generate surveillance reporting, conduct client and representatives surveys and audit all RVP offices annually

### Strong Sales Force Compliance Record



# Sales Process

### Warm Market Approach

### Face-to-Face Meetings "Across the Kitchen Table"



### Client-centric Educational Process including Financial Needs Analysis



**Multiple Product Offerings** 



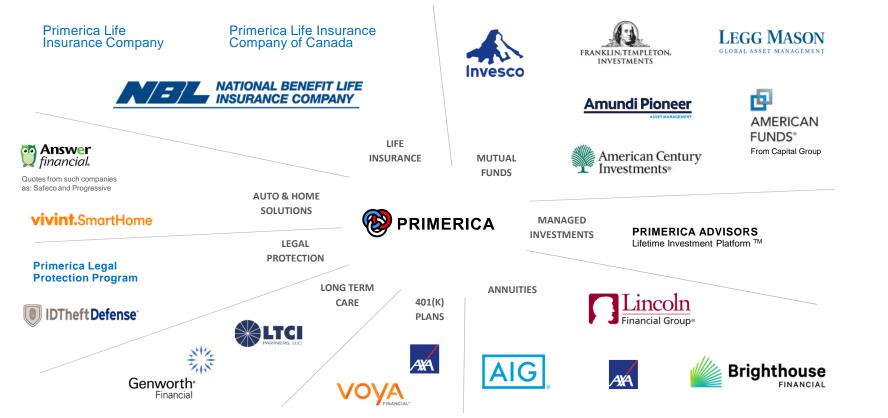






# Products

### **Product Offerings and Distribution**



Not all products and services are available in all states, territories, or the District of Columbia. A representative's ability to offer products from the companies listed is subject to state and federal licensing and certification requirements. Please refer to the Important Endnotes for additional details about the contractual arrangements and company affiliations detailed above.

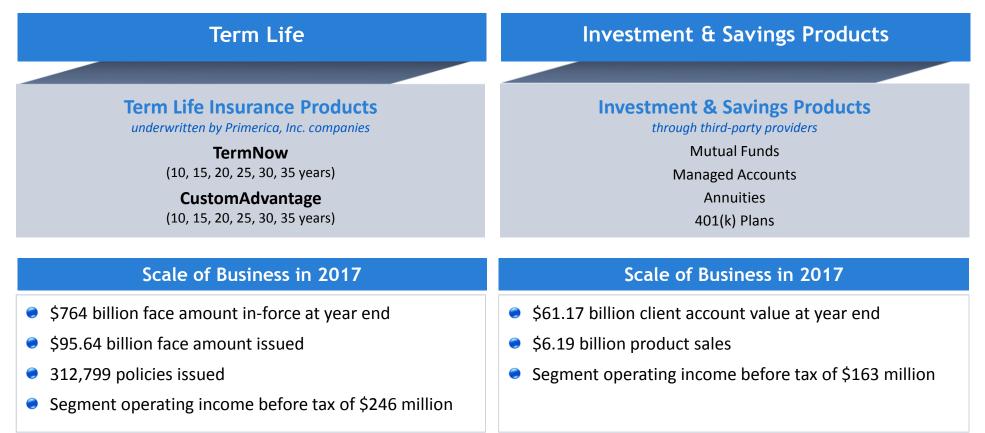
#### Important Endnotes

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# Simple Products for Long-Term Financial Needs

- Younger families need more income protection: they have young children, higher debt and lower savings
- As they age they need less insurance because their liabilities lessen and their investments grow
- Primerica teaches basic investment principles like diversification and systematic investing through dollar cost averaging over time



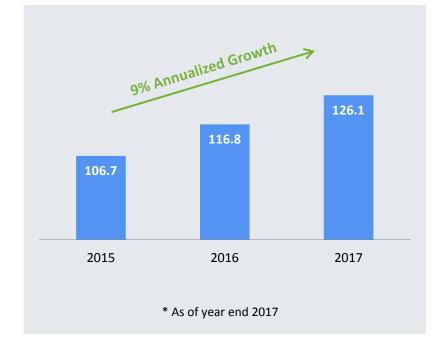
### Predictable Drivers of Term Life Issued Policies

### 2017 Data

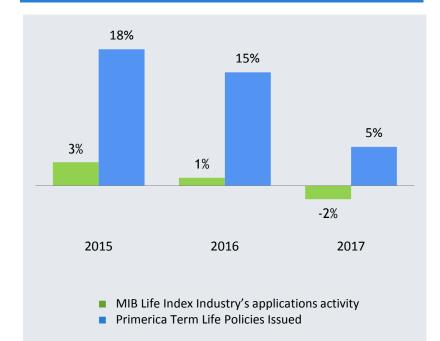


### Distribution Growth Key to Outpacing Life Insurance Industry

### Primerica's Life Insurance Licensed Sales Force (000's) \*



Primerica versus Life Insurance Industry

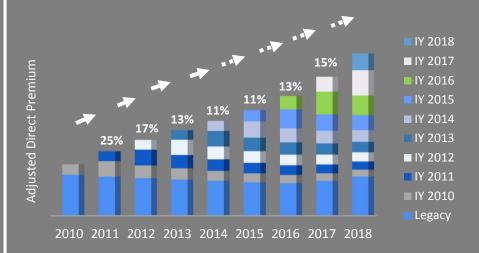


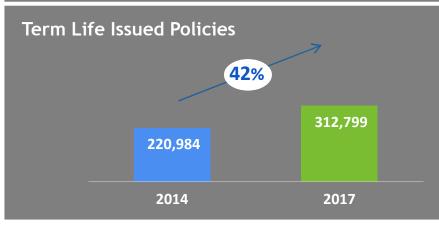


### Industry Leading Term Life Growth

- Reinsurance transactions with IPO coinsurers at time of the IPO continue to positively impact year-over-year growth
- Expect 2018 Adjusted Direct Premium growth of 15% to 16% <sup>(1)</sup>
- Stable recurring income with little impact from market fluctuations

### Growth in Adjusted Direct Premiums <sup>(1)</sup> builds over time by Issue Year (IY)





Term Life Operating Income before Income Taxes (\$ in millions)



**PRIMERICA** 

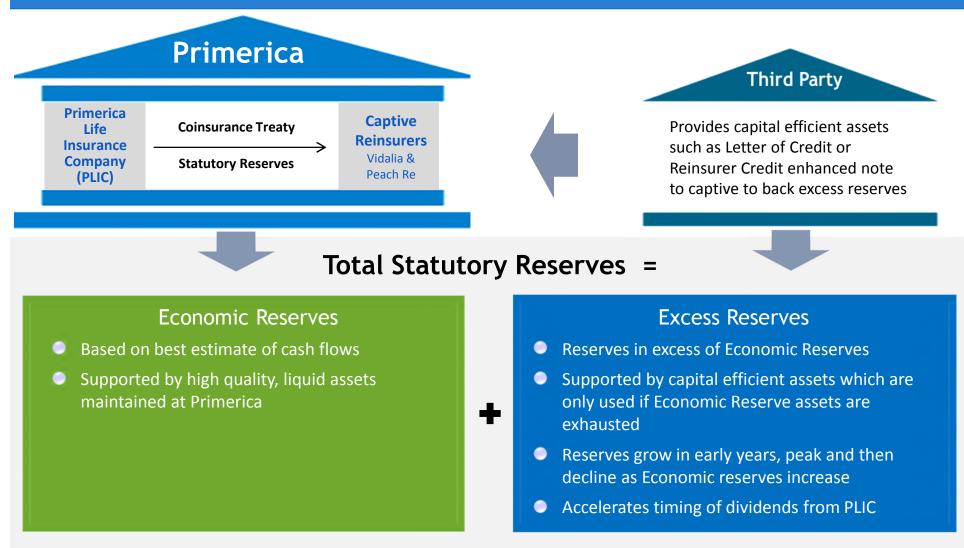
(1) Adjusted direct premiums represents direct premiums net of premiums ceded to IPO Coinsurers

# Primerica's Use of Reinsurance

| Yearly<br>Renewal<br>Term (YRT)<br>Reinsurance | <ul> <li>YRT reinsures the mortality risk only</li> <li>YRT premiums start low and increase from growth and aging of inforce policies</li> <li>Used since 1991 as a risk management tool to lower claim volatility</li> <li>Reinsure 90% of the mortality risk on new issued policies on a quota share basis</li> <li>High quality Pool of reinsurers</li> </ul> |
|--|--|
|  |  |
|  | Coinsurance is similar to selling the coinsured portion of the business  |
| IPO<br>Coinsurance                             | Coinsurers receive their portion of all premiums and pay their portion of all claims and expenses  |
|  | Primerica receives allowances from the coinsurers to cover their portion of the company's expenses and commissions   |
|  | Changed financial profile of the company at the time of the IPO by coinsuring ~80% of all policies inforce as of 12/31/2009  |
|  | Generally decreases with the run off of this closed block  |
|  |  |
|  | Used to increase <u>statutory</u> dividend capacity  |
| Captive Reserve                                | Statutory reserves in excess of economic reserves are financed for PLIC  |
| Financing                                      | Covers all inforce policies through 12/31/2016   |
|  | Only impact on GAAP income statement is the financing fees paid  |



# Mechanics of Captive Reserve Financing Transactions



The adoption of Principle Based Reserves on 1/1/2018, significantly lowered the amount of excess reserve required for business issued thereafter

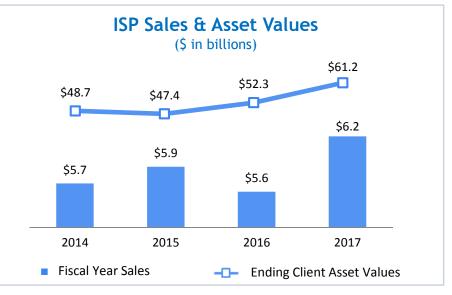


# Investment & Savings Products (ISP) Revenue Dynamics

### Diversified Mix of Revenues

- Sales-based revenue fees and commissions received at point of sale
- Asset-based revenues fees and commissions on client asset values
- Account-based revenues record-keeping and custodial fees
- Low Capital Requirements with Largely Unrestricted Cash Flows





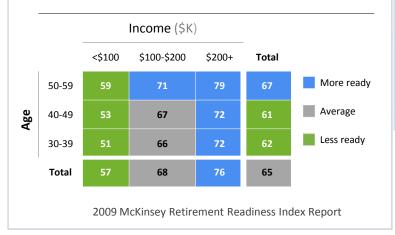
### Investing Trends provide Opportunity

43%

of middle income Americans will not be ready for retirement based on their investment and savings habits

Source: 2009 McKinsey Quarterly, Helping US Consumers Rethink Retirement

### Retirement readiness by age and income level % of consumers "on track"

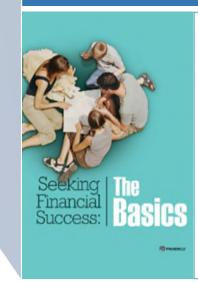


- Primerica's ~24,000 mutual fund licensed <sup>(1)</sup>
   representatives are uniquely positioned to serve middle income families
- Clients can systematically invest for as little as \$25/month
- New Lifetime Investment Platform and annuity offerings cater to the investment needs of more affluent clients
   (1) As of year end 2017

### Focused on Helping Middle Income Clients with Investments

Five basic models to meet the needs

of most investors.















### Strategy to Drive Stockholder Value

# Strategic Pillars for Future Growth

### Significant Free Cash Flow

Strong Capabilities, Tools and Leadership

### Growth in Stockholder Value



### Strategic Pillars for Future Growth

Maximize Sales Force Growth, Leadership and Productivity Broaden Protection Product Portfolio Enhance Investment & Savings Products to Expand Opportunity Develop Digital Capabilities that Deepen Client Relationships



# Initiatives to Drive Future Growth

| <b>CUSTOMIZED</b><br>Communication, Training<br>& Licensing Platforms | <b>SIMPLIFIED</b><br>Investment & Savings<br>Products Sales Process<br>and Expanded Product<br>Portfolio | <b>BROADER</b><br>Protection Product<br>Offerings to Increase<br>Share of Client Wallet |
|---|--|---|
| <b>MOBILE</b><br>Client-centric Marketing<br>Presentations and Videos | <b>EFFICIENT</b><br>Electronic Application<br>& Customer Service<br>Processing                           | <b>DIGITAL</b><br>Client Relationship<br>Management Capabilities                        |



# **Opportunities to Deepen Client Relationships**



### Middle income households spend approximately:

- 15% on retirement savings
- 15% on health insurance
- 8% on auto and home insurance
- 40% on debt

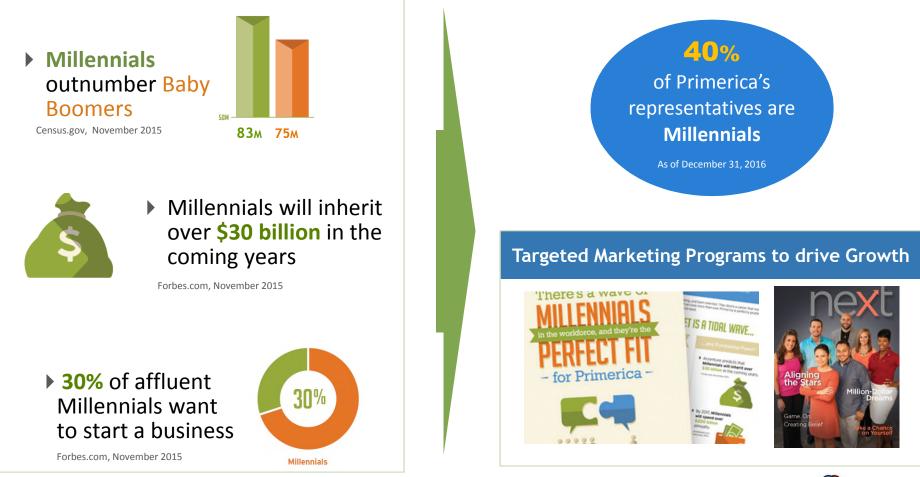
Bureau of Labor Statistics, McKinsey

| Retirement Savings  | Health Insurance  | Auto & Home<br>Insurance   | Debt   |
|---|---|--|--|
| <ul> <li>Recently expanded ISP product<br/>offering with the launch of the<br/>Lifetime Advisor Platform to<br/>capitalize on the \$5 trillion*<br/>managed account market<br/>opportunity</li> </ul> | <ul> <li>~23,000 of Primerica's life<br/>insurance licensed<br/>representatives are also health<br/>insurance licensed</li> <li>Assessing individual and senior<br/>health insurance opportunities</li> </ul> | <ul> <li>Currently have an auto &amp; homeowners insurance referral program that generated ~ 40k applications in 2017</li> <li>Assessing enhanced opportunities for sales force</li> </ul> | <ul> <li>Continuously assessing<br/>opportunities to re-enter the<br/>debt consolidation lending<br/>business with a third party<br/>provider</li> </ul> |
| *Cerulli Q1 Managed Account Report  |   |  |  |



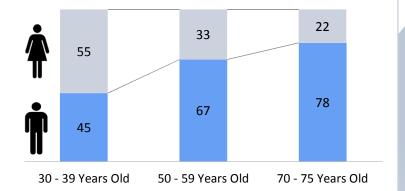
### Opportunity: Millennials represent Next Wave of Growth

Millennials are entrepreneurial-minded, forward-thinking, and team-oriented, which aligns well with Primerica's mission



### **Opportunity: Growth in Female Decision-Makers**

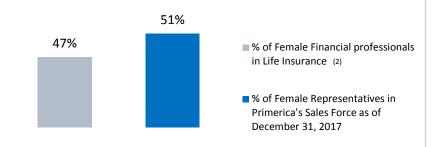
## Percentage of Household Decision-Makers that are women by age <sup>(1)</sup>



- Women will play a more significant role in household financial decision-making over time, driven by younger women
- As they age, an increasing share of total households will have women as the primary financial decision maker
- Women are 50% more likely than men to seek help from an investment representative

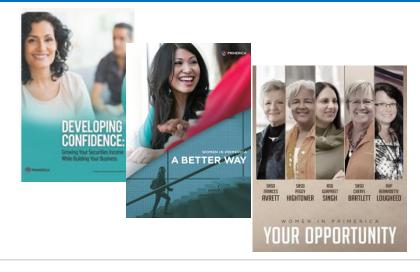
1. McKinsey: Affluent Consumer Insights Survey 2014

#### Proportion of Female Life Insurance Representatives



 "Women in Insurance: Leading to Action" 2017 Stem Connector and "What a day without women would look like, in charts", Matt Rocheleau, Globe Staff, March 07, 2017

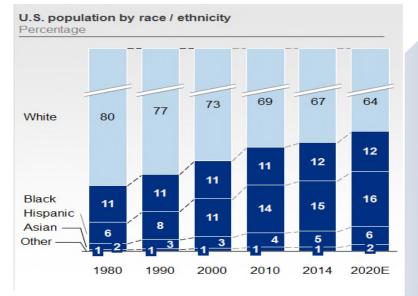
#### Targeted Marketing Programs to Drive Growth





## Opportunity: Business Aligned with Demographic Trends

#### U.S. is evolving towards a "Minority Majority" Society



Source: U.S. Census Bureau, 2014 Tables

- 20% of the U.S. population in 1980 were minorities. This is expected to increase to approximately 40% in 2020
- Hispanics are expected to contribute more than half of the U.S. population growth over the next 20 years

#### Primerica representatives serve families in their communities

- 20% of Primerica's Regional Vice Presidents (RVPs) are African-American
- 14% of Primerica's RVPs are Hispanic

As of December 2017

#### Primerica representatives serve families in their communities





### Opportunity: Proven Business Model aligns with "Gig Economy" Trends



Source: McKinsey



Low barrier to entry attracts workers to new model as a way to complement or replace income

### Primerica

- Low Cost
- Begin Part-time to supplement income
- Path to become fulltime and build a business

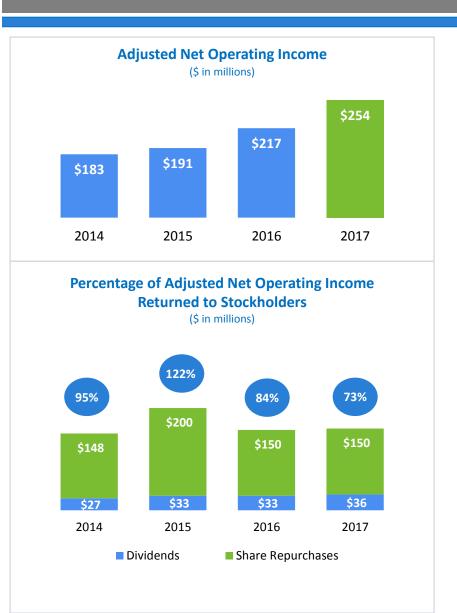


## Capital Strategy

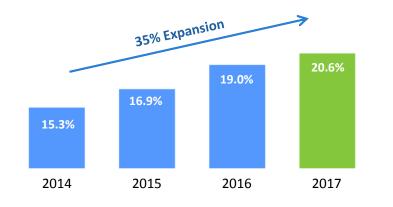




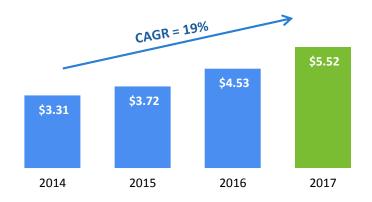
### Track Record of Superior Returns



Adjusted Net Operating Income Return on Adjusted Stockholders' Equity (ROAE) (1)



#### Adjusted Operating Earnings per Diluted Share <sup>(2)</sup>



 Net Return on Stockholders' Equity for the comparable periods was 14.3% (2014), 15.9% (2015), 18.3% (2016) and 27.4% (2017)

**PRIMERICA** 

 (2) Earnings per Diluted Share for the comparable periods was \$3.29 (2014), \$ 3.70 (2015), \$4.59 (2016) and \$7.61 (2017)

### Sources of Free Cash Flows

### Robust Businesses with Long-term Capital Generation Capabilities

#### **U.S. Term Life Business**

- Effectively optimized capital since IPO through redundant reserve financing transactions for policy issue years through 2016, allowing higher ordinary dividends distribution from Primerica Life Insurance Company
  - Financing transactions free up assets backing redundant reserves and allow future statutory distribution to be accelerated
  - Redundant reserve financing transaction completed in 2016 will fund capital redeployment in 2017 and 2018
- Principle-Based Reserving (PBR) accounting change reduces the amount of redundant reserves required and minimizes the need to execute financing transactions to free up capital in the future

#### **Canadian Term Life Insurance**

Like the U.S., generates distributable capital annually but with fewer regulatory constraints on dividend distribution

#### **Investment & Savings Products and Other Businesses**

Distribution businesses with generally unrestricted cash flows



### Conservative Approach to Capital Management

| Capital Strength                     | <ul> <li>Primerica Life Insurance Company (PLIC) statutory risked-based capital ratio (RBC) to cover surplus strain of new business estimated to be around 450% at year-end 2017</li> <li>Deployed significant amount of operating earnings since the IPO in 2010</li> </ul>     |
|--------------------------------------|--|
| Modest Financial<br>Leverage         | <ul> <li>Modest debt / total capitalization ratio of 20.8% <sup>(1)</sup> in the fourth quarter of 2017</li> <li>Coverage satisfied from non-insurance cash flows</li> </ul>   |
| High Quality<br>Investment Portfolio | <ul> <li>Less dependence on investment income than most life insurers         <ul> <li>~2.2x (Cash + Invested Assets) / Adjusted Equity without realized gains in 2017</li> </ul> </li> <li>Conservative, high quality, fixed income portfolio in a net gain position</li> </ul> |

### **Primerica's Ratings**

| Agency            | Senior Notes Rating <sup>(2)</sup> | Financial Strength Rating <sup>(3)</sup> |
|-------------------|------------------------------------|--|
| Moody's           | Baa2, stable outlook               | A2, stable outlook                       |
| Standard & Poor's | A-, stable outlook                 | AA-, stable outlook                      |
| A.M. Best Company | a-, stable outlook                 | A+, stable outlook                       |

(1) Debt-to-Capital is that of the parent company only. Capital in the debt ratio includes stockholders' equity and the note payable

(2) Investment grade credit ratings for our Senior Notes as of December 31, 2017

(3) Primerica Life Insurance Company's insurer financial strength rating

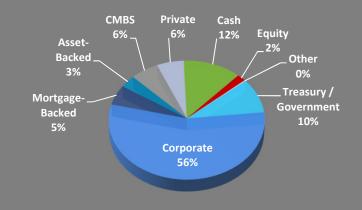


## High Quality, Conservative Investment Portfolio

#### Key Metrics (1)

| Approximate Effective Duration    | 3.8 years |
|-----------------------------------|-----------|
| Approximate Book Yield            | 3.97%     |
| Average Rating                    | А         |
| Fixed Income                      | ~98%      |
| Inv. Grade / Below Inv. Grade Mix | 96% / 4%  |

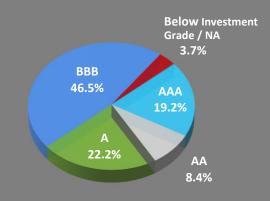
#### Composition of Primerica's Investment Portfolio by Asset Class at end of 2017



High quality, well diversified portfolio

Manufacture Term Life which has no cash values, have little asset liability matching compared to firms which sell cash value life insurance products

#### Composition of Primerica's Investment Portfolio by Rating at the end of 2017



(1) As of December 31, 2017



### Compelling Investment Opportunity

| Track Record                 | <ul> <li>Proven 40-year track record, with significant growth since 2010 IPO</li> <li>Experienced and dedicated leadership team</li> </ul> |
|------------------------------|--|
| Unparalleled<br>Distribution | <ul> <li>Large, exclusive life insurance and mutual fund licensed sales force in North America</li> </ul>                                  |
| Growth Opportunity           | <ul> <li>Huge unmet needs in the middle income market</li> <li>Business aligns with demographic trends</li> </ul>                          |
| Diverse Earnings             | <ul> <li>Two complementary business lines generate strong earnings</li> </ul>  |
| Recurring Revenue            | <ul> <li>Recurring revenue streams from long-term client relationships</li> </ul>  |
| Capital Deployment           | <ul> <li>Significant level of free cash flow generated annually</li> </ul>   |
| Stockholder Returns          | Industry-leading returns with demonstrated growth  |







# Appendix

### Consolidated Income Statement

| (\$ in millions, except EPS)         |    | FY 2017   |    | FY 2016 | Variance to Prior Year |      |           |  |  |
|--------------------------------------|----|-----------|----|---------|------------------------|------|-----------|--|--|
|                                      |    |           |    | FT 2010 |                        |      | %         |  |  |
| Operating Revenues:                  |    |           |    |         |                        |      |           |  |  |
| Direct premiums                      | \$ | 2,562     | \$ | 2,444   | \$                     | 118  | 5%        |  |  |
| Ceded premiums                       | (  | 1,601)    | (  | 1,601)  |                        | (0)  | 0%        |  |  |
| Net Premiums                         |    | 961       |    | 844     |                        | 118  | 14%       |  |  |
| Net Investment Income                |    | 79        |    | 79      |                        | (0)  | 0%        |  |  |
| Commissions and Fees                 |    | 591       |    | 542     |                        | 50   | 9%        |  |  |
| Other, net                           |    | 56        |    | 51      |                        | 6    | 11%       |  |  |
| Operating Revenues:                  |    | 1,688     |    | 1,515   |                        | 173  | 11%       |  |  |
|                                      |    |           |    |         |                        |      |           |  |  |
| Benefits and Expenses:               |    |           |    |         |                        |      | _         |  |  |
| Benefits and claims                  |    | 416       |    | 368     |                        | 48   | 13% ] 14% |  |  |
| Amortization of DAC                  |    | 209       |    | 181     |                        | 29   | 16%       |  |  |
| Insurance commissions                |    | 21        |    | 18      |                        | 3    | 19%       |  |  |
| Sales commission expense             |    | 298       |    | 273     |                        | 25   | 9%        |  |  |
| Interest expense                     |    | 28        |    | 29      |                        | (0)  | -1%       |  |  |
| Insurance expenses                   |    | 147       |    | 132     |                        | 15   | 11%       |  |  |
| Other operating expenses             |    | 189       |    | 182     |                        | 8    | 4% ] 7%   |  |  |
| Operating benefits and expenses      |    | 1,310     |    | 1,181   | \$                     | 128  | 11%       |  |  |
| Adjusted operating Income            |    | 378       |    | 334     |                        | 45   | 13%       |  |  |
| before income taxes                  |    |           |    |         |                        |      |           |  |  |
| Adjusted income taxes                |    | 124       |    | 117     |                        | 8    | 6%        |  |  |
| Net Operating Income                 | \$ | 254       | \$ | 217     |                        | 37   | 17%       |  |  |
| Diluted Operating EPS                | \$ | 5.52      | \$ | 4.53    | \$                     | 0.99 | 22%       |  |  |
| Operating ROAE                       |    | 20.6%     |    | 19.0%   | Ŧ                      | 0.00 |           |  |  |
| Operating Adjustments to Net Income: |    |           |    |         |                        |      |           |  |  |
| Realized Investment gains / (losses) | \$ | 1         | Ś  | 4       |                        |      |           |  |  |
| Tax impact of adjustments            | Ş  | (0)       | Ş  | (1)     |                        |      |           |  |  |
|                                      | ć  | (U)<br>95 |    | (1)     |                        |      |           |  |  |
| Transition impact of tax reform      | \$ |           | ć  | -       |                        |      |           |  |  |
| GAAP Net Income from Con't Oper      | \$ | 350       | \$ | 219     |                        |      |           |  |  |

- 2017 adjusted net operating income increased 17% versus 2016, while operating EPS increased 22% with the additional benefit of share repurchases
- 11% increase in adjusted operating revenue driven by:
  - Incremental premiums on Term Life policies
  - Commission & fee revenue driven by strong growth in average client account values and modest growth in account-based fees and ISP product sales
  - Investment income continues to be impacted by lower average yields
- 11% increase in benefits & expenses driven by:
  - Higher benefits & claims and DAC amortization due to growth in Term Life business
  - Commission expense consistent with ISP commission & fee revenue
  - Modest 7% growth in insurance and other operating expenses reflecting higher technology spend, employeerelated expenses, and product growth-related
- Continued strong operating ROAE



### **Consolidated Balance Sheet**

|  | Dec 2017 |        | Dec 2016 |        | Variance |       |       |  |
|--|----------|--------|----------|--------|----------|-------|-------|--|
| (\$ in millions)                           |          |        |          |        | \$       |       | %     |  |
| Assets:                                    |          |        |          |        |          |       |       |  |
| Invested Assets and Cash*                  | \$       | 2,288  | \$       | 2,088  | ç        | 200   | 10%   |  |
| Securities Held to Maturity                |          | 737    |          | 503    |          | 234   | 46%   |  |
| Due From Reinsurers                        |          | 4205   |          | 4,194  |          | 12    | 0%    |  |
| Deferred Policy Acq Costs                  |          | 1,952  |          | 1,713  |          | 239   | 14%   |  |
| Other Assets                               |          | 706    |          | 654    |          | 52    | 8%    |  |
| Separate Account Assets                    |          | 2,573  |          | 2,288  |          | 285   | 12%   |  |
| Total Assets                               | \$       | 12,461 | \$       | 11,439 | \$       | 1,022 | 9%    |  |
| Liabilities:                               |          |        |          |        |          |       |       |  |
| Future Policy Benefits                     | \$       | 5,955  | \$       | 5,674  | ç        | 5 281 | 5%    |  |
| Other Policy Liabilities                   |          | 686    |          | 632    |          | 54    | 9%    |  |
| Income Tax Payable                         |          | 177    |          | 225    |          | (48)  | -21%  |  |
| Other Liabilities                          |          | 451    |          | 450    |          | 1     | 0%    |  |
| Notes Payable                              |          | 373    |          | 373    |          | 0     | 0%    |  |
| Surplus Note                               |          | 736    |          | 502    |          | 234   | 47%   |  |
| Payable Under Securities Lending           |          | 90     |          | 74     |          | 16    | 22%   |  |
| Separate Account Liabilities               |          | 2,573  |          | 2,288  |          | 285   | 12%   |  |
| Total Liabilities                          |          | 11,042 |          | 10,218 |          | 824   | 8%    |  |
| Stockholders' Equity                       |          |        |          |        |          |       |       |  |
| Common Stock                               |          | 0      |          | 0      |          | (0)   | -3%   |  |
| Additional Paid in Capital                 |          | 0      |          | 52     |          | (52)  | -100% |  |
| Retained Earnings                          |          | 1,375  |          | 1,139  |          | 236   | 21%   |  |
| Cumulative Translation Adj                 |          | 4      |          | (13)   |          | 17    | nm    |  |
| Adjusted Stockholders' Equity              |          | 1,380  |          | 1,179  |          | 201   | 17%   |  |
| Net Unrealized Gains/Losses                |          | 40     |          | 43     |          | (3)   | -8%   |  |
| Total Stockholders' Equity                 |          | 1,419  |          | 1,221  |          | 198   | 16%   |  |
|  | \$       |        |          |        |          |       |       |  |
| Total Liab & Stockholders' Equity          |          | 12,461 | \$       | 11,439 | \$       | 1,022 | 9%    |  |
| Debt-to-Capital                            |          | 20.8%  |          | 23.4%  |          |       |       |  |
| nvested Assets to Adj Stockholders' Equity |          | 2.2x   |          | 2.2x   |          |       |       |  |
|  |          |        |          |        |          |       |       |  |

\* Invested assets and cash exclude the held-to-maturity asset held as part of a redundant reserve financing transaction

- Increase in invested assets & cash due to positive cash from operations, partially offset by share repurchases
- Held to maturity note and offsetting surplus note related to Vidalia Re transaction increase with corresponding reserve increases
- DAC and future policy benefits growing consistent with growth in Term Life business
- Invested assets to adjusted stockholder's equity remains low at 2.2x
  - Lower reliance on investment income than peer group
  - Lower sensitivity to asset risk
  - Leverage at 20.8%

