



**STATE OF TENNESSEE**  
**DEPARTMENT OF COMMERCE AND INSURANCE**

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**REPORT ON EXAMINATION**  
**OF**  
**PRIMERICA LIFE INSURANCE COMPANY**  
**(NAIC # 65919)**  
**DULUTH, GEORGIA**

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**AS OF**  
**DECEMBER 31, 2019**

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Duluth, Georgia  
May 26, 2021

Honorable Carter Lawrence  
Commissioner  
Tennessee Department of Commerce and Insurance  
500 James Robertson Parkway  
Nashville, Tennessee 37243

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann”) § 56-1-408, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full-scope financial examination and market conduct review, as of December 31, 2019, has been made of the conditions and affairs of:

**PRIMERICA LIFE INSURANCE COMPANY**

NAIC # 65919  
1 Primerica Parkway  
Duluth, GA 30099

hereinafter referred to as the “Company” or “PLIC” and a report thereon is submitted as follows:

**INTRODUCTION**

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or “Department”). The examination was conducted by duly authorized representatives of the Department. This examination was coordinated with other states pursuant to National Association of Insurance Commissioners (NAIC) guidelines. Further description of the coordination effort between the states is discussed below under the heading “Scope of Examination”.

**SCOPE OF EXAMINATION**

The last examination of the Company was made as of December 31, 2014. This examination covers the period January 1, 2015, through December 31, 2019 and includes any material transactions and/or events occurring subsequent to the examination date that were noted during the course of the examination.

The Company is a member of the Primerica Group, NAIC Group Code 4750. Primerica Group is a holding company group with insurers in Tennessee, New York and Vermont. Tennessee is the lead state for the Primerica Group examination. Insurers in the Primerica Group include: Primerica Life Insurance Company (Tennessee); National Benefit Life Insurance Company (New York); Vidalia Re, Inc., and Peach Re, Inc. (Vermont). Vermont did not participate except to attend regulatory meetings and some interviews. Vermont will perform an examination of its two captive insurers as of December 31, 2019. New York fully participated in the examination of the Primerica Group.

The examination was conducted in accordance with the rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with the NAIC *Financial Condition Examiners Handbook*, as deemed appropriate. The examination was planned and performed to evaluate the financial condition of the Company, as of December 31, 2019. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance, by identifying and assessing inherent risk within the Company, and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions.

During planning, all significant risks were reviewed to determine which key activities and accounts would be examined. The key activities were Premiums/Underwriting; Marketing; Reserves/Claims Handling; Reinsurance; Investments; Related Parties; and Capital and Surplus.

The Company's 2019 annual statement was reconciled to the corresponding general ledger balances.

Independent information technology specialist services, provided by Noble Consulting Services, Inc., were utilized in the examination review of the Company's information technology general controls (ITGC).

A separate market conduct review was also performed concurrently with the financial examination. See the "Market Conduct Activities" section of this report.

The actuarial firm of Lewis & Ellis, Inc. was utilized in the examination review of the Company's reinsurance, and statutory reserves, as well as the risk assessment and review of controls for Reserving and Pricing risks.

The independent auditor's work papers for the 2019 audit were reviewed and copies were incorporated into the examination, as deemed appropriate. Primerica's internal audit work papers were reviewed and incorporated in the examination as deemed appropriate.

## **COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS**

There were no comments or recommendations noted in the prior examination report as of December 31, 2014.

## **COMPANY HISTORY**

The Company was incorporated on September 19, 1927 and commenced business on October 31, 1927. The Company is a wholly-owned subsidiary of Primerica, Inc. ("Primerica"), a leading provider of financial products to middle-income households in the United States and Canada.

The Company is authorized to underwrite and administer individual term life, annuities, and accident and health insurance. However, the Company is engaged primarily in the business of underwriting and administering term life insurance products to middle-income households. The Company is a leading provider of term life insurance products.

As of January 1, 2010, PLIC was a wholly and directly-owned subsidiary of Citigroup Insurance Holding Corporation (CIHC), an indirect subsidiary of Citigroup Inc. Primerica, Inc., a Delaware corporation, was formed as a new indirect subsidiary of Citigroup Inc. and it commenced an initial public offering on April 1, 2010. Ownership of PLIC, together with certain other indirect subsidiaries of Citigroup Inc., was transferred to Primerica, Inc. PLIC became, and continues to be, a wholly and directly owned subsidiary of Primerica, Inc., the ultimate parent of PLIC. All of the Company's 497,020 issued and outstanding common stock shares are owned by Primerica, Inc.

PLIC has three wholly-owned subsidiaries, National Benefit Life Insurance Company (NBLIC), Peach Re, Inc ("Peach"), and Vidalia Re, Inc ("Vidalia"). NBLIC is a New York domestic insurer regulated by the New York State Department of Financial Services and is licensed to transact business in all fifty (50) states, the District of Columbia, and the U.S. Virgin Islands. Peach is incorporated and organized under the laws of Vermont and licensed as a special purpose financial captive insurance company. Peach is established for the limited purpose of reinsuring certain term life insurance business from PLIC. As a result, there are no direct written premiums, and all premiums are assumed from PLIC. Vidalia is also a special purpose financial captive insurance company incorporated and organized under the laws of Vermont and licensed in the State of Vermont. Vidalia is

established for the limited purpose of reinsuring certain term life insurance business from PLIC. As a result, there are no direct written premiums, and all premiums are assumed from PLIC.

The Company re-domiciled to Tennessee from Massachusetts effective December 28, 2017.

## **MANAGEMENT AND CONTROL**

### **MANAGEMENT**

#### **Directors**

The Company is managed by a Board of Directors (“Board”) that is elected at the annual meeting of the shareholders. Directors need not be shareholders of the corporation.

The Company had five (5) directors, as of December 31, 2019. A majority of directors constitutes a quorum. Directors serve until the next annual meeting of the shareholders, and thereafter, until replaced.

The following persons were duly elected by the shareholder and were serving as members of the Board as of December 31, 2019.

<b><u>Name</u></b>	<b><u>Principal Occupation</u></b>
David Thomas Chadwick	President and Chairman of the Board of Directors Primerica Life Insurance Company
Gregory Carl Pitts	Executive Vice President, Chief Operating Officer Primerica, Inc.
Alison Sue Rand	Executive Vice President, Chief Financial Officer Primerica, Inc.
Daniel Brian Settle	Executive Vice President, Chief Actuary Primerica, Inc.
Michael Kurt Wells	Executive Vice President, Treasurer Primerica, Inc.

## **Officers**

The officers of the Company are elected during the annual Board meeting, and serve thereafter until replaced. The following is a list of key officers and their respective titles as of December 31, 2019:

<b><u>Name</u></b>	<b><u>Title</u></b>
David Thomas Chadwick	President and Chairman of the Board of Directors
Stacey Kipnis Geer	Executive Vice President, Chief Governance Officer and Secretary
Michael Kurt Wells	Executive Vice President, Treasurer
Michael Craig Adams	Executive Vice President
Ellen Owen Bailey	Executive Vice President
Michael Wayne Burroughs	Executive Vice President
Shirley Ann Cate	Executive Vice President
Cynthia Ann Chavis	Executive Vice President
Jeffrey Scott Fendler	Executive Vice President, Chief Compliance and Risk Officer
Edward Earl Hodges	Executive Vice President
Nicholas Adam Jendusa	Senior Vice President, Controller
Tammy Jo Kelly	Executive Vice President
William Addams Kelly	Executive Vice President
Katherine Elizabeth Kieser	Executive Vice President
Deborah Daffron Miller	Executive Vice President
Michael Wayne Miller	Executive Vice President
Terri Lynn Mote	Executive Vice President
William James Nemetz	Executive Vice President
Barry Joseph Pellas	Executive Vice President
Robert Hudson Peterman, Jr.	Executive Vice President
Gregory Carl Pitts	Executive Vice President
Alison Sue Rand	Executive Vice President, Chief Financial Officer
Jeffrey Milton Read	Executive Vice President
Lori Allison Rivet	Executive Vice President
Brett Allan Rogers	Executive Vice President
Peter Wayne Schneider	Executive Vice President
Julie Anne Seman	Executive Vice President
Daniel Brian Settle	Executive Vice President, Chief Actuary
Karen Lynn Sukin	Executive Vice President, General Counsel
Thomas Frederick Swift	Executive Vice President
Deborah Ford Thomas	Executive Vice President
Janice Lynn Trantham	Executive Vice President
Michael Stephen Turnage	Executive Vice President
Lisa Marie Vacante	Executive Vice President
Danny James Woodard	Executive Vice President

## **Committees**

The Company relies on the following committees of the Board of Directors of Primerica, Inc.:

Audit (Primerica, Inc.)  
Compensation (Primerica, Inc.)  
Corporate Governance (Primerica, Inc.)  
Executive (Primerica, Inc.)  
Investment (PLIC)

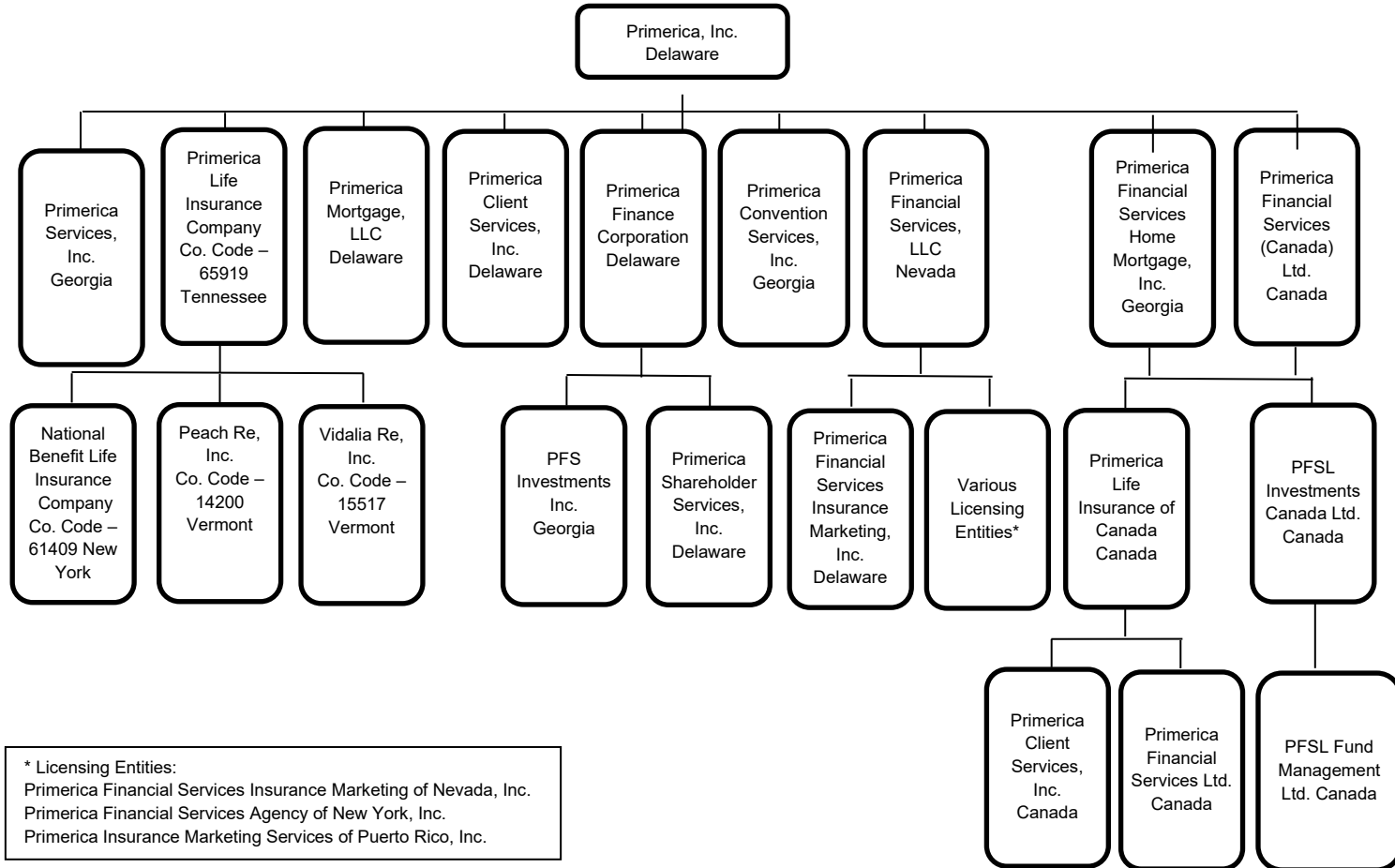
## **CONTROL**

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101(7), and as such, is subject to the Insurance Holding Company System Act of 1986, set forth in Tenn. Code Ann. §§ 56-11-101, *et seq.* All outstanding shares of the Company are owned by the parent company, Primerica, Inc. Primerica, Inc. is a holding company domiciled in Delaware and traded on the New York Stock Exchange (ticker symbol: PRI). The Company provides, and relies on, Primerica Inc. and other affiliates under common control of its ultimate parent for support and operational functions under various agreements. PLIC is the primary employer within the holding company.



**ORGANIZATIONAL CHART**

The following organizational chart includes the subsidiaries of Primerica, Inc. and their respective domiciliary states as of December 31, 2019:



## **DIVIDENDS AND DISTRIBUTIONS**

During the period of examination, the Company declared and paid dividends and one distribution to Primerica, Inc. The Company gave proper notice to the TDCI, as required by Tenn. Code Ann. §§ 56-11-105(e) and 56-11-106(b).

The following table lists each dividend amount, whether the dividend was determined to be Ordinary (O) or Extraordinary (E), the date the Company notified the Department of the dividend, and the date the dividend was paid. The distribution is notated with an asterisk.

<b><u>Year</u></b>	<b><u>Ordinary (O) or Extraordinary (E)</u></b>	<b><u>Notification Date</u></b>	<b><u>Paid Date</u></b>	<b><u>Dividend Amount</u></b>
2019	O	02/08/2019	02/28/2019	\$60,000,000
	O	05/08/2019	05/31/2019	90,000,000
	O	08/08/2019	08/30/2019	60,000,000
	O	11/08/2019	11/27/2019	60,000,000
2018	O*	01/17/2018	02/08/2018	50,000,000
	O	05/10/2018	05/31/2018	30,000,000
	O	08/07/2018	08/31/2018	30,000,000
	O	11/07/2018	11/30/2018	90,000,000
2017	O	02/28/2017	03/15/2017	41,500,000
	O	05/11/2017	05/30/2017	16,000,000
	O	08/15/2017	08/31/2017	42,000,000
	O	11/01/2017	11/29/2017	38,500,000
2016	O	02/25/2016	03/11/2016	48,700,000
	O	06/02/2016	06/24/2016	30,000,000
	O	08/15/2016	08/30/2016	10,000,000
	O	11/11/2016	11/29/2016	6,000,000
2015	O	08/17/2015	09/04/2015	39,600,000
	O	11/16/2015	12/04/2015	<u>6,000,000</u>
Total paid during the Exam				<u>\$748,300,000</u>

\* Represents an ordinary distribution paid from other than earned surplus. The Company decreased paid in surplus for this distribution.

## **CORPORATE RECORDS**

The minutes of meetings of the Company's shareholder, Board, and Committees were reviewed for the period under examination. They were complete as to necessary detail and appear to adequately reflect the acts of the respective bodies. The review of the minutes indicates that all investment transactions were approved by the Board pursuant to Tenn. Code Ann. § 56-3-408(b)(1).

The Company's original Certificate of Organization was filed with the Massachusetts Secretary of the Commonwealth on August 29, 1927. The Charter in effect at December 31, 2019, is the Company's Amended and Restated Charter that was adopted by the Board on December 28, 2017, filed with the Tennessee Secretary of State on December 28, 2017, and filed with the TDCI on December 28, 2017. The purpose of this restatement of the Charter was to convert PLIC from a Massachusetts for-profit Corporation to a Tennessee for-profit Corporation.

The Bylaws of the Company in effect at December 31, 2019, are the Company's Amended and Restated Bylaws that were adopted by the Board on November 6, 2007. No amendments to the Bylaws were made during the years under examination.

## **AGREEMENTS WITH PARENT AND AFFILIATES**

The Company had the following significant agreements with its parent and affiliated companies in effect as of December 31, 2019:

### **Amended and Restated Cost Sharing and Allocation Agreement (2019)**

Effective January 1, 2019, the Company entered into an Amended and Restated Cost sharing and Allocation agreement with Primerica, Inc. (Primerica), PFS Investments Inc. (PFSI), Primerica Financial Services, LLC (PFS), Primerica Shareholder Services, Inc. (PSS), Primerica Services, Inc. (PSI), Primerica Convention Services, Inc. (PCS), Primerica Financial Services Agency of New York, Inc. (PFSNY), and Primerica Mortgage, LLC (PMLLC).

Services shared by the group include the following services: Executive Services, Accounting, Financial Analysis, and Financial Reporting, Internal Control Assessment, Purchasing, Tax, Treasury, Budgeting and Planning, Cash Receipts, Cash Disbursements, and General Accounting, Community and Foundation Relations, Client-facing technology, Marketing, Internal Audit, Government Relations, Strategic Planning, Legal and Regulatory Support, Corporate and D&O Insurance, Human Resources, Operations and Administration services, Computer programming and application development, Data Center, Information Security, Facilities, Employee Technology Services, and Field Services.

### **Cost Sharing and Services Agreement**

Effective September 1, 2012, the Company entered into a Cost Sharing and Services Agreement with NBLIC and participating companies. Personnel and services will be provided by the PLIC or participating company to NBLIC and participating companies as needed.

### **General Agent Agreement & Amendments**

Effective January 1, 1992, as amended, the Company entered into a General Agent Agreement with PFS. Services provided by PFS for the Company involve personnel and services for the issuance of term life and accident and health insurance and annuities and appoints PFS as the Company's general agent.

### **Tax Allocation Agreement**

Effective January 1, 2014, the Company entered into a Tax Allocation Agreement with NBLIC, Peach, Vidalia, and Primerica, Inc. (PRI). Services provided by the Company for NBLIC, Peach, Vidalia, and PRI involve services to provide for the allocation of liabilities, and procedures to be followed, with respect to federal income taxes under the terms of this Agreement.

### **Peach Support Services Agreement**

Effective March 27, 2012, the Company entered into a Service Agreement with Peach to provide Peach information technology support, legal support, administrative support, treaty administration and financial services.

### **Vidalia Support Services Agreement**

Effective July 31, 2014, the Company entered into a Service Agreement with Vidalia to provide Vidalia information technology support, legal support, treaty administration, administrative support, financial services.

## **TERRITORY AND PLAN OF OPERATION**

### **TERRITORY**

PLIC is licensed in all states (except New York), the District of Columbia, the U.S. Virgin Islands, Guam, Puerto Rico, and the Commonwealth of the Northern Marina Islands.

### **PLAN OF OPERATION**

PLIC has three wholly owned subsidiaries: NBLIC; Peach; and Vidalia. NBLIC underwrites and sells term life insurance policies in New York.

PLIC reinsures a portion of its life insurance business through Peach and Vidalia. Peach and Vidalia are special purpose financial captive insurance companies domiciled in Vermont. The sole purpose of Peach and Vidalia is to assume term life insurance policies according to coinsurance agreements (Regulation XXX redundant reserve financing transactions) entered into with PLIC. Peach has assumed 10% of the Company's retained net level premium term life policies issued prior to 2010 and 100% of the Company's level premium term policies issued in 2010. Vidalia has assumed 100% of

the Company's level premium term policies issued in 2011 through 2017. Both Peach and Vidalia are licensed in Vermont and are accredited reinsurers in Tennessee.

PLIC distributes its term life insurance, individual annuities and supplementary contract policies exclusively through licensed sales representatives. Primerica's distribution model, a modified traditional insurance agency model, is designed to reach and serve middle-income consumers by selling to customers through Primerica's 130,000 plus independent contractor licensed sales representatives.

Primerica's independent sales force assists its clients in meeting their needs term life insurance, which PLIC and NBLIC underwrite, and mutual funds, annuities, managed investments and other financial products, which Primerica distributes primarily on behalf of third parties. Primerica insured over five million lives and had approximately two million, five hundred thousand (2,500,000) client investment accounts as of December 31, 2019. Primerica's business model focuses on middle-income consumers.

All sales representatives are independent contractors. When a sale is made, the selling representative receives a commission, as does the licensed representative who recruited him or her, in most cases. Sales commissions are paid through several levels of the selling representative's recruitment organization (multi-tiered marketing approach), which motivates existing sales representatives to grow the sales force and provide them with commission income from the sales completed by representatives below them in their sales organization.

## **GROWTH OF COMPANY**

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to this examination, as recorded in its annual statements as filed with the Department:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2019	\$1,594,604,290	\$928,599,126	\$666,005,164	\$357,118,320	\$507,772,687
2018	\$1,595,493,613	\$921,328,980	\$674,164,633	\$339,103,514	\$505,882,327
2017	\$1,493,750,237	\$895,749,268	\$598,000,969	\$290,976,510	\$398,163,489
2016	\$1,431,574,628	\$858,826,136	\$572,748,492	\$250,101,240	\$392,899,287
2015	\$1,320,871,479	\$759,935,155	\$560,936,324	\$116,334,713	\$435,426,713

## LOSS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements filed with the TDCI, the ratios of losses incurred to direct premiums earned for the period subject to this examination were as follows:

<u>Year</u>	<u>Life Premiums</u>	<u>Death and Disability Benefits</u>	<u>Loss Ratio</u>	<u>Accident and Health Premiums</u>	<u>Accident and Health Losses</u>	<u>Loss Ratio</u>
2019	\$2,329,026,823	\$1,350,149,575	58%	\$357,648	\$866,253	242%
2018	\$2,253,026,911	\$1,303,822,959	58%	\$388,214	\$793,924	205%
2017	\$2,165,103,368	\$1,315,233,975	61%	\$416,320	\$931,789	224%
2016	\$2,067,900,071	\$1,175,089,538	57%	\$453,936	\$1,082,039	238%
2015	\$1,979,383,067	\$1,112,730,783	56%	\$479,876	\$894,444	186%

## REINSURANCE AGREEMENTS

### Assumed Reinsurance

The Company did not assume reinsurance during the examination period.

### Ceded Reinsurance

The Company uses reinsurance extensively, utilizing yearly renewable term (YRT) and coinsurance agreements. Under YRT agreements, the Company reinsures only the mortality risk, while under coinsurance it reinsures a proportionate part of all risks arising under the reinsured policy. Under coinsurance, the reinsurer receives a proportionate part of the premiums, less commission allowances, and is liable for a corresponding part of all benefit payments. The reinsurance contracts transfer risk inherent in the business being reinsured.

The reinsurance contracts typically do not have a fixed term. In general, the reinsurers' ability to terminate coverage for existing cessions is limited to such circumstances as material breach of contract or nonpayment of premiums by the ceding company. The YRT reinsurance contracts generally contain provisions intended to provide the ceding company with the ability to cede future business on a basis consistent with historical terms. However, either party may terminate any of the contracts with respect to the future business upon appropriate notice to the other party. Generally, the reinsurance contracts do not limit the overall amount of the loss that can be incurred by the reinsurer.

Reinsurance ceded balances related to policy reserves and policy and contract claims are deducted from the related liabilities. Reinsurance ceded premium balances payable are deducted from premiums deferred and uncollected and amounts recoverable on paid losses are reflected as assets. The Company policy is to limit the amount of life insurance retained on the life of any one person to \$1,000,000 plus an additional \$600,000 of increasing benefit rider coverage. To limit exposure with any one non-affiliated reinsurer, the Company monitors the concentration of credit risks with reinsurance counterparties, as well as the counterparties' financial condition. For reinsurance contracts with unauthorized reinsurers, collateral such as letters of credit is required.

### **Prime Re and Pecan Re**

The Company has an 80% coinsurance agreement (the "80% Coinsurance Treaty") with Pecan Re, an insurance company owned by Swiss Re Life and Health America Inc. (Swiss Re). PLIC also has a 10% coinsurance agreement (the "10% Coinsurance Treaty") with Prime Re Insurance Company (Prime Re), an affiliate of Citigroup Inc. Under the aggregate of the 80% Coinsurance Treaty and the 10% Coinsurance Treaty, PLIC cedes 90% of the premiums and claims of term life insurance policies that were in force at December 31, 2009. Both treaties are similar, except the 10% Coinsurance Treaty contains an experience rating refund. PLIC receives ongoing ceding allowances as a reduction to insurance expenses to cover policy and claims administration expenses under each of these coinsurance treaties. Policies reaching their initial level term period are no longer ceded to Pecan Re.

Pecan Re and Prime Re are not authorized reinsurers in Tennessee. As such, PLIC maintains trust accounts sufficient for the Company to receive statutory reserve credit, and the 80% Coinsurance Treaty and the 10% Coinsurance Treaty contain various safeguards to ensure that the Company will receive full regulatory reinsurance credit. Under each coinsurance treaty, PLIC is able to recapture the ceded business with no fee in the event that Pecan Re or Prime Re do not comply with the various safeguard provisions. Pecan Re also has entered into a capital maintenance agreement (the "Capital Maintenance Agreement") requiring Swiss Re to provide additional funding, if needed, at any point during the term of the agreement up to the maximum as described in the Capital Maintenance Agreement.

### **Peach and Vidalia**

Pursuant to the Peach Coinsurance Agreement, PLIC ceded 10% of the term life policies issued prior to 2010 and 100% of the term life policies issued in 2010 to Peach. PLIC maintains a funds withheld account for Peach consisting of the economic reserves for policies coinsured and credit the accrued settlement amount with a fixed rate of interest. As of December 31, 2019, PLIC reported a funds withheld obligation to Peach in the amount of \$181.7 million.

PLIC also cedes to Vidalia certain level premium term life insurance policies issued in 2011 through 2017 pursuant to the Vidalia Coinsurance Agreement.

## **ACCOUNTS AND RECORDS**

During the course of the examination, certain balances were tested, and amounts were traced from the Company's trial balance to the annual statement. All the Company's investment securities were confirmed with the custodian of such securities, as of the date of this examination. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. The Company's risk-based capital filings were reviewed. These test checks and reviews revealed no material discrepancies.

PLIC's custody agreement was reviewed and found not to contain all of the provisions required by Tenn. Comp. R. & Regs 0780-1-46. During the exam, management provided a new custody agreement between PLIC and its custodian approved by PLIC's Board that substantially met the requirements of the Tennessee Regulations. See the "Comments and Recommendations" section later in the report.

The Company's books and records are located in Duluth, Georgia.

## **MARKET CONDUCT ACTIVITIES**

A market conduct review was made of the Company, as of December 31, 2019, in conjunction with this examination. The following items were addressed:

### **Operations and Management Standards**

Company antifraud initiatives were examined to determine if they are reasonably designed to prevent, detect, or mitigate fraudulent insurance acts. Company procedures and policies relating to privacy were reviewed to determine compliance with Tenn. Code Ann. § 56-8-104(19). No issues were noted.

### **Complaint Handling Standards**

The Company maintains a complaint register, as required by various state Unfair Trade Practices Acts, and the register and the accompanying files are maintained for a minimum of five (5) years in accordance with statutory requirements. The Company's complaint procedures and complaint register were examined in accordance with requirements of Tenn. Code Ann. § 56-8-104(11) and the NAIC Market Regulation Handbook ("Market Handbook"). The Company's complaint procedures and complaint register were found to be in compliance.



### **Marketing and Sales Standards**

A sample of the Company's advertising materials were selected for examination including print, internet materials, and PowerPoint presentations issued by the Company for use by its agents. Advertising items were examined in accordance with Tenn. Code Ann. § 56-8-104(1) and the Market Handbook. As a result of examination, no issues or concerns were identified.

### **Producer Licensing Standards**

Tenn. Code Ann. §§ 56-6-101, et seq., requires the Company to sell its products and services through producers who are properly licensed and appointed by the Company. In the examination of producer licensing, a random sample of producers were selected, and their state issued licensure and appointment by the Company were verified. As a result of examination, no issues or concerns were identified.

### **Policyholder Services Standards**

The Company's timeliness of policy issuance, premium billing, response to policyholder requests, provision of adequate disclosures, and compliance with applicable statutes and rules were examined. The Company was found to be in compliance with the relevant market conduct standards.

### **Underwriting and Rating Standards**

In the examination of the Company's underwriting procedures and policy administration, policy files for open and closed policies for both life and annuity contracts were reviewed in accordance with Tenn. Code Ann. § 56-8-104, Tenn. Comp. R. & Regs. 0780-01-34, and established Company guidelines. In the examination of these contracts, there were no instances of unfair methods of competition or unfair or deceptive acts found. Underwriting procedures and policy administration conducted by the Company appear to be in compliance with established Company guidelines.

The examiners reviewed a sample of the policy forms used by the Company during the period of examination. All forms were noted as having been filed with the TDCI prior to their use, in accordance with Tenn. Code Ann. § 56-7-2311(a). The filings are consistent in form and included appropriate documentation.

### **Claims Handling Standards**

In the examination of claims handling practices, the Company's efficiency of claim handling, accuracy of payment, adherence to contract provisions, and compliance with applicable statutes and rules were examined. In conducting the examination, random samples were selected from claims approved and resisted by the Company. The Company's claims were properly documented and handled in accordance with the

Company's policy provisions and applicable statutes and rules. No issues or concerns were identified.

## **SUBSEQUENT EVENTS**

During the examination, a review of subsequent events was performed. No events were noted that required additional disclosure in this examination report. Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2019, that could have a material effect on the Company's financial condition. Our review confirmed the Company's disclosures in its 2019 Annual Statement and in its Letter of Representation.

## **FINANCIAL STATEMENTS**

There follows a statement of assets, liabilities, surplus and other funds, and a summary of operations, as of December 31, 2019, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2019 Annual Statement. *(Note: Columns that do not total are due to immaterial rounding differences.)*

<b><u>ASSETS</u></b>			
	<b><u>Assets</u></b>	<b><u>Non-Admitted Assets</u></b>	<b><u>Net Admitted Assets</u></b>
Bonds	\$1,161,963,524		\$1,161,963,524
Stocks:			
Preferred stocks	11,049,614		11,049,614
Common stocks	484,794,857		484,794,857
Cash, cash equivalents and short-term investments	18,576,004		18,576,004
Contract loans	22,666,935	\$22,050,802	616,133
Other invested assets	3,642,773		3,642,773
Securities lending reinvested collateral assets	15,855,607		15,855,607
Investment income due and accrued	9,352,208		9,352,208
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	(281,048,552)		(281,048,552)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	30,700		30,700
Reinsurance:			
Amounts recoverable from reinsurers	49,000,578	54,936	48,945,642
Other amounts receivable under reinsurance contracts	29,021,482		29,021,482
Net deferred tax asset	208,302,953	121,506,197	86,796,756
Guaranty funds receivable or on deposit	1,223,553		1,223,553
Electronic data processing equipment and software	12,855,945	12,292,580	563,365
Furniture and equipment	9,012,765	9,012,765	0
Receivables from parent	3,199,899		3,199,899
Aggregate write-ins for other-than-invested assets:			
Agents' balances receivable	114,221,124	114,221,124	0
Prepaid expenses	5,935,099	5,935,099	0
Projected clearing	2,949,589	2,949,589	0
Remaining write-ins	<u>3,365,055</u>	<u>3,344,332</u>	<u>20,723</u>
<b>Totals</b>	<b><u>\$1,885,971,713</u></b>	<b><u>\$291,367,423</u></b>	<b><u>\$1,594,604,290</u></b>

## LIABILITIES, SURPLUS, AND OTHER FUNDS

Aggregate reserve for life contracts		\$220,374,715
Liability for deposit-type contracts		370,109,821
Contract claims:		
Life		(17,219,304)
Premiums and annuity considerations for life and accident and health contracts received in advance		1,563,759
Interest maintenance reserve		9,976,371
Commissions to agents due or accrued		54,733,697
General expenses due or accrued		34,397,106
Taxes, licenses and fees due or accrued		15,125,979
Current federal and foreign income taxes		2,465,877
Amounts withheld or retained by reporting entity as agent or trustee		6,495,115
Amounts held for agents' account		1,049,969
Remittances and items not allocated		10,729,907
Asset valuation reserve		13,697,096
Funds held under coinsurance		181,735,362
Payable for securities		3,640
Payable for securities lending		15,855,607
Aggregate write-ins for liabilities		<u>7,504,409</u>
 Total Liabilities		 \$928,599,126
 Common capital stock	\$2,500,000	
Gross paid in and contributed surplus	495,216,498	
Unassigned funds (surplus)	168,303,566	
Less treasury stock, at cost	<u>14,900</u>	
 Total Capital and Surplus		 <u>666,005,164</u>
 <b>Totals</b>		 <b><u>\$1,594,604,290</u></b>

## SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$357,118,320	
Net investment income	389,785,084	
Amortization of Interest Maintenance Reserve	2,232,881	
Commissions and expense allowances on reinsurance ceded	391,426,780	
Aggregate write-ins for miscellaneous income	46,973,696	
 Totals		 \$1,187,536,761
 Death benefits	 35,217,028	
Disability benefits and benefits under accident and health contracts	7,732,587	
Surrender benefits and withdrawals for life contracts	4,121,791	
Interest and adjustments on contract or deposit- type contract funds	6,118,778	
Payments on supplementary contracts with life contingencies	7,929	
Increase in aggregate reserves for life and accident and health contracts	12,234,650	
Commissions on premiums, annuity considerations and deposit-type contract funds	359,802,670	
General insurance expenses and fraternal expenses	245,753,201	
Insurance taxes, licenses and fees	13,121,114	
Increase in loading on deferred and uncollected premiums	749,899	
Aggregate write-ins for deductions	7,470,172	
 Totals		 <u>692,329,819</u>
Net gain from operations before taxes		<u>495,206,942</u>
 Federal and foreign income taxes incurred		 <u>(13,354,889)</u>
Net gain from operations after taxes		<u>508,561,831</u>
 Net realized capital gains (losses)		 <u>(789,144)</u>
<b>Net Income</b>		<b><u>\$507,772,687</u></b>

## CAPITAL AND SURPLUS ACCOUNT

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Capital and Surplus					
December 31, previous year	<u>\$674,164,638</u>	<u>\$598,000,973</u>	<u>\$572,748,493</u>	<u>\$560,936,324</u>	<u>\$498,991,622</u>
Net income or (loss)	507,772,687	505,882,327	398,163,489	392,899,287	435,426,713
Change in net unrealized capital gains (loss)	27,036,484	8,119,664	29,049,185	(12,834,356)	55,502,907
Change in net unrealized foreign exchange gain (loss)	0	0	0	(55)	(60,374)
Change in net deferred income tax	12,747,263	7,106,410	(122,357,591)	34,632,655	30,690,467
Change in non-admitted assets	(22,912,133)	49,826,259	88,082,834	(24,198,439)	(101,851,603)
Change in liability for reinsurance in unauthorized companies	0	0	451,394	(451,394)	0
Change in reserve on account of change in valuation basis	0	0	0	0	899,102
Change in asset valuation reserve	(1,513,740)	204,930	501,455	(821,294)	790,286
Surplus adjustment: Paid in	0	(50,000,000)	16,522,368	18,958,336	23,002,044
Change in surplus as a result of reinsurance	(261,290,034)	(294,975,925)	(247,160,654)	(301,672,572)	(336,854,840)
Dividends to stockholders	<u>(270,000,000)</u>	<u>(150,000,000)</u>	<u>(138,000,000)</u>	<u>(94,700,000)</u>	<u>(45,600,000)</u>
Net change in capital and surplus for the year	<u>(8,159,473)</u>	<u>76,163,665</u>	<u>25,252,480</u>	<u>11,812,169</u>	<u>61,944,702</u>
Capital and Surplus					
December 31, current year	<u>\$666,005,164</u>	<u>\$674,164,638</u>	<u>\$598,000,973</u>	<u>\$572,748,493</u>	<u>\$560,936,324</u>

## ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus

\$666,005,164

Total capital and surplus, as established by this examination, is the same as the amount reported by the Company in its 2019 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2019.

## COMMENTS AND RECOMMENDATIONS

The following list presents a summary of comments and recommendations noted in this report:

### Comments

PLIC's custody agreement did not contain all of the provisions required by Tenn. Comp. R. & Regs 0780-1-46. During the examination, management provided a new custody agreement between PLIC and PLIC's subsidiaries. The new custody agreement, approved by PLIC's Board, substantially met the requirements of the Tennessee Regulation.

### Recommendations

There were no recommendations noted during the completion of this examination.



## CONCLUSION

Rules and procedures as prescribed by the statutes of the State of Tennessee, and guidance from the NAIC Handbook, as deemed appropriate, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Primerica Life Insurance Company.

In such manner, it was found that as of December 31, 2019, the Company had admitted assets of \$1,594,604,290 and liabilities, exclusive of surplus, of \$928,599,126. Thus, there existed for the additional protection of the policyholders, the amount of \$666,005,164 in the form of common capital stock, gross paid in and contributed surplus, and unassigned funds (surplus) less treasury stock. Tenn. Code Ann. §§ 56-2-114 and 56-2-115 require an insurer of this Company's type to maintain a minimum capital of \$1,000,000 and minimum surplus of \$1,000,000, respectively. For this examination, as of December 31, 2019, the Company maintains capital and surplus sufficient to satisfy those requirements.

The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Donald Karnes, CFE; Rhonda Bowling-Black, CFE, ARe, MCM; Shelli Isiminger, MCM, FLMI, AIE, AIRC, ACS; Trang Truong, CPA, CIA; and Jody Fox, APIR from the State of Tennessee; Michael Nadeau, CPA, CFE, CISA, AES; Brian Sewell, CFE, MCM; Jamesia Burford, CFE of Eide Bailly LLP; Mary Packard, CFE, CPA; Jim Hattaway, CFE, CIA, CIE, AMCM, ARC; Carol Riley, AES, CISA, CGEIT, CRISC; Stefan Obereichholz-Bangert, AES, CISA, CISM; Brad Meyers, CISA, CISIVI, CISSP; Sharon Riley, CISA, CGEIT, AIRC, FLMI of Noble Consulting Services, Inc.; Mike Mayberry, FSA, MAAA; Glenn Tobleman, FSA, FCAS, MAAA; Linh Nguyen, FSA, MAAA; Jennifer Allen, ASA, MAAA; Susan Dobson of Lewis & Ellis Inc. participated in the work of this examination.

Respectfully submitted,



James Menck, CFE  
Examiner-in-Charge  
Eide Bailly LLP  
Representing the State of Tennessee



A. Jay Uselton, CFE  
Department Designee  
State of Tennessee

**AFFIDAVIT**

The undersigned deposes and says that he has duly executed the attached examination report of Primerica Life Insurance Company located in Duluth, Georgia, dated May 26, 2021, and made as of December 31, 2019, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.



James Menck, CFE  
Examiner-in-Charge  
Eide Bailly LLP  
Representing the State of Tennessee

State Texas

County Tarrant

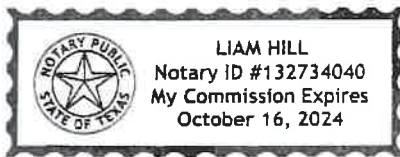
Subscribed to and sworn before me

this 24 day of June, 2021



(NOTARY)

My Commission Expires: Oct. 16 2024



**AFFIDAVIT**

The undersigned deposes and says that he has duly executed the attached examination report of Primerica Life Insurance Company located in Duluth, Georgia, dated May 26, 2021, and made as of December 31, 2019, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information and belief.



A. Jay Uselton, CFE  
Department Designee  
State of Tennessee

State Tennessee

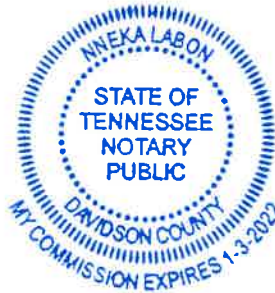
County Davidson

Subscribed to and sworn before me

this 25<sup>th</sup> day of June, 2021



(NOTARY)



My Commission Expires: 1-3-2022

# **EXHIBIT B**



1 Primerica Parkway  
Duluth, Georgia 30099-0001

June 29, 2021

E. Joy Little  
Director of Financial Examinations/Chief Examiner  
Tennessee Department of Commerce and Insurance  
500 James Robertson Parkway  
Nashville, TN 37243-1135

RE: 2019 Report of Examination - Primerica Life Insurance Company

Dear Ms. Little:

Primerica Life Insurance Company (the "Company") hereby acknowledges receipt of the final report on examination of the Company as of December 31, 2019 (the "Report") issued by the State of Tennessee Department of Commerce and Insurance.

By signing below, the Company indicates acceptance of the Report, as transmitted, and without rebuttal.

Respectfully,

*Leanne Ness*

Leanne Ness  
Vice President, Financial Reporting