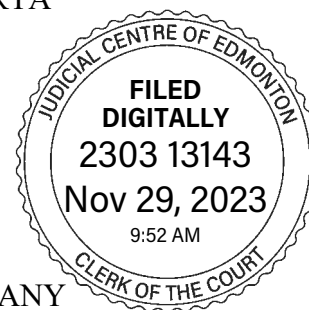


COURT FILE NUMBER 2303 13143  
COURT COURT OF KING'S BENCH OF ALBERTA  
JUDICIAL CENTRE EDMONTON  
PLAINTIFFS PRIMERICA, INC., PRIMERICA LIFE  
INSURANCE COMPANY, PRIMERICA  
FINANCIAL SERVICES LLC, PFSL  
INVESTMENTS CANADA LTD., and  
PRIMERICA LIFE INSURANCE COMPANY  
OF CANADA  
DEFENDANT MARCO MOUKHAIBER  
DOCUMENT **AFFIDAVIT**  
ADDRESS FOR SERVICE NANDA & COMPANY  
AND CONTACT ATTN: Avnish Nanda  
INFORMATION OF PARTY 10007 80 Avenue NW  
FILING THIS DOCUMENT Edmonton, AB T6E 1T4  
Tel: 587-400-1253  
Fax: 587-318-1391  
Email: avnish@nandalaw.ca  
File No.: 729.00001



**AFFIDAVIT OF DOUGLAS M. BROOKS**

**Sworn on October 27, 2023**

I, Douglas M. Brooks, of Brookline, Massachusetts, United States of America SWEAR AND SAY THAT:

1. As a result of my education, training, credentials, work experience, and other details set out below, I have personal knowledge of the information set out in this affidavit, except to such matters based upon information and belief.
2. I am an attorney in Brookline, Massachusetts with substantial experience litigating cases involving multilevel marketing (“MLM”) companies. Since 1995 I have been advocating for better regulation and disclosure in the MLM industry, and I have participated in rule-making proceedings by the U.S. Federal Trade Commission concerning the MLM industry. I am considered an expert on the regulation of the MLM industry in the United States of America, where Primerica Inc. is based.
3. Attached as **Exhibit “1”** to this Affidavit is a copy of my *curriculum vitae*.
4. I have been retained by the Defendant in this lawsuit to provide an expert opinion on the business practices of Primerica Inc. and its subsidiaries, some of which are named as

Plaintiffs in this action. My testimony will specifically address Primerica's use of deceptive earnings claims as well as its emphasis on recruiting large number of new representatives rather than on encouraging representatives to develop viable businesses.

5. I certify that I am aware of my duty as an expert witness to assist the court, and not be an advocate for any party. I have made this affidavit and have given this written testimony in conformity with that duty. If I am called on to give further testimony, it will be in conformity with that duty.
6. For the purposes of this action I have studied an MLM company known as Primerica. I have reviewed the YouTube video posted by the Defendant entitled "Infiltrating a Pyramid Scheme: Primerica" as well as a number of publicly available documents, which are referenced below. I have also reviewed some of the videos<sup>1</sup> archived by Truth in Advertising ("TINA"), a non-profit consumer protection organization, in which Primerica or Primerica Representatives make claims concerning the income that can supposedly be earned by Primerica Representatives<sup>2</sup>. These videos are hereinafter referred to as the "**TINA Investigation**".
7. My investigation is not complete, and the opinions expressed below are subject to modification based on additional documents and information as it becomes available, including documents produced in discovery.
8. Primerica sells life insurance and other financial products through agents called Primerica Representatives. Primerica Representatives receive compensation for selling these products to others, including other Primerica Representatives, pursuant to a multi-level marketing plan devised by Primerica. Under this plan Primerica Representatives are paid commissions not only when they personally sell insurance and other financial products to customers, but also when Representatives that they recruit, or their recruits have recruited, sell products.

### **Deceptive Earnings Claims**

9. One of the common problems I have observed with MLM companies is the widespread use of deceptive earnings claims. Primerica is no exception. There are two categories of earnings claims at issue here. The first is the "official" Primerica earnings claim made on its website. The second are the numerous claims made by Primerica Representatives, including on various social media sites.
10. As to official claims, here is an earnings claim currently (as of October 4, 2023) made on Primerica's website:

"From January 1 through December 31, 2022 Primerica paid cash flow to sales representatives at an average of \$7,479, which includes commissions paid on all lines

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<sup>1</sup> Truth in Advertising: "[Primerica Income Claims Database](#)."

<sup>2</sup> Truth in Advertising: "[Primerica](#)," July 26, 2019. Attached to this affidavit at **Exhibit "2"**.

of business to licensed representatives. Figures include U.S. and Canadian dollars remaining in the local currency earned by the representative, not adjusted for exchange rates.”<sup>3</sup>

11. This claim is evidently an average of all compensation paid to all Primerica Representatives in the U.S. and Canada. This is deceptive, because the average of all participants includes the earnings of a small number of participants who receive extremely high incomes which will skew the results.
12. Primerica’s earnings claim is also deceptive because it fails to disclose the business expenses incurred by Representatives. In my experience, MLM distributors incur a variety of expenses in connection with selling the products and recruiting other distributors. This is clearly true with Primerica. For instance, Representatives pay a monthly fee to access Primerica Online (“POL”), which Primerica states is its “primary tool designed to support independent sales representatives and assist them in building their own businesses.”<sup>4</sup>
13. While Representatives are not required to purchase the POL system, it appears to be a practical necessity, based on Primerica’s description of the service:

“We provide independent sales representatives with communication, training, and sales support tools on POL that allow both new and experienced sales representatives to offer financial information and products to our clients. POL provides independent sales representatives with access to various business tracking and management tools, licensing support tools, product-specific training, and sales procedures and tools. Additionally, POL provides access to internal training programs and videos covering sales, management skills, business ownership, and compliance. We also use POL to provide real-time recognition of independent sales representatives’ successes and scoreboards for independent sales force production, contests, and leadership trips. In addition, POL is a gateway to our product providers and product support.”<sup>5</sup>

14. It is difficult to imagine how a Primerica Representative, especially a new recruit, could function effectively without purchasing a subscription to POL.
15. Primerica Representatives at higher levels in the compensation plan incur additional business expenses. Primerica’s 2022 Form 10-K states:

“RVPs establish and maintain their own offices, which we refer to as field offices. Additionally, as independent entrepreneurs, they are responsible for, and have control over, the costs of their administrative staff, marketing materials, travel,

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<sup>3</sup> Primerica: “[Primerica Disclosures](#).” Attached to this affidavit at **Exhibit “3”**.

<sup>4</sup> Primerica’s 2022 Form 10-K (“**2022 Form 10-K**”), p. 5. Attached to this affidavit at **Exhibit “4”**.

<sup>5</sup> 2022 Form 10-K, p. 5. Attached to this affidavit at **Exhibit “4”**.

training and certain recognition events for the independent sales representatives in their respective sales organizations.”<sup>6</sup>

16. None of these business expenses are reflected in Primerica’s earnings claims.
17. In addition to Primerica’s “official” earnings claims, Primerica Representatives make their own earnings claims to prospective recruits. As set forth in the “Infiltrating a Pyramid Scheme: Primerica” video and the TINA investigation, there are numerous examples of Primerica Representatives making income claims without disclosing the typical earnings of Primerica Representatives. In my opinion Primerica is or should be aware of these claims but has failed to take adequate steps to prevent its Representatives from making these claims.
18. Primerica acknowledges its duty to ensure that its Representatives refrain from making deceptive earnings claims. In its 2022 Form 10-K, Primerica states that:

“To ensure compliance with various federal, state, provincial and territorial legal requirements, we and the RVPs share responsibility for maintaining an overall compliance program that involves compliance training and supporting, as well as monitoring the activities of independent sales representatives. We work with the RVPs to develop and maintain appropriate compliance procedures and systems.”<sup>7</sup>
19. In my opinion, based on the widespread incidence of deceptive earnings claims by Primerica Representatives, as documented in the “Infiltrating a Pyramid Scheme: Primerica” video and the TINA investigation, Primerica’s compliance efforts are utterly inadequate.

**Emphasis on Recruitment.**

20. In any MLM operation, the distributors have two distinct functions: selling a product (the retail function) and recruiting new distributors (the recruitment function). The primary risk with such a scheme is that the distributors will focus on recruitment rather than retailing. A recruitment based system will inevitably result in a small number of distributors earning substantial compensation, while the vast majority will make little or nothing.
21. Primerica’s MLM compensation plan is problematic because it essentially combines the recruitment function and the sales function. Primerica Representatives are taught and incentivized to solicit their friends and family members to both purchase Primerica’s financial products and to become Primerica Representatives themselves.
22. It is worthy of note that the words “recruit,” “recruiting,” “recruitment” or other variations appear 77 times in Primerica’s 2022 Form 10-K. This reflects the crucial importance of successful recruiting to Primerica’s bottom line.

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<sup>6</sup> 2022 Form 10-K, p. 3. Attached to this affidavit at **Exhibit “4”**.

<sup>7</sup> 2022 Form 10-K, p. 7. Attached to this affidavit at **Exhibit “4”**.

23. Primerica's 2022 Form 10-K contains numerous examples of the interrelated nature of the recruitment function and retail function in Primerica's MLM system.

24. For instance, at page 3 Primerica states that:

“Members of the independent sales force primarily serve their friends, family members and personal acquaintances through individually driven networking activities. We believe that *this warm market approach is an effective way to distribute our product offerings* because it facilitates face-to-face interaction initiated by a trusted acquaintance of the prospective client, which is difficult to replicate using other distribution approaches. Due to the large size of the independent sales force and *the active recruiting of new independent sales representatives*, the independent sales force is able to continually access an expanding base of prospective clients without engaging costly media channels.”<sup>8</sup>

(emphasis supplied)

25. Thus, the same technique, the “warm market approach”, is to be used both for selling Primerica's products and recruiting new Representatives. There is no difference between potential purchasers of Primerica's products and prospective recruits to become Primerica Representatives.

26. Another example of the mixing of the recruitment function and the retail function is at Page 4 of Primerica's 2022 Form 10-K, where Primerica describes the typical sales process:

“After the initial contact, independent sales representatives typically invite prospective recruits to an opportunity meeting, conducted in person or through remote communication tools, which is conducted by an RVP. The objective of an opportunity meeting is to inform prospective recruits about our mission and their opportunity to start their own businesses by becoming independent sales representatives. At the conclusion of each opportunity meeting, attendees who are interested are asked to complete an application and pay a nominal fee to commence their pre-licensing training and licensing examination preparation programs and, depending on the state or province, to cover their licensing exam registration costs, which are provided by the Company generally at no additional charge. Recruits are not obligated to purchase any of the products we offer in order to become independent sales representatives, though they may elect to make such purchases.”<sup>9</sup>

27. The last sentence here is the key to Primerica's marketing process; while Representatives are not *required* to purchase Primerica's products, they may *elect* to do so.

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<sup>8</sup> 2022 Form 10-K, p. 3. Attached to this affidavit at **Exhibit “4”**.

<sup>9</sup> 2022 Form 10-K, p. 4. Attached to this affidavit at **Exhibit “4”**.

28. While Primerica may solemnly declare that the Representative’s purchase of Primerica’s products is optional, it is clear that Primerica’s financial success depends on having a large number of Representatives also be customers. Primerica’s 2022 Form 10-K sets forth at page 4 the numbers of new recruits for the years 2020, 2021 and 2022.<sup>10</sup> At page 10 it sets forth the number of new policies sold for those same years.<sup>11</sup>
29. Comparing these two sets of numbers is revealing:

<b>Year</b>	<b>New Recruits</b>	<b>New Policies Sold</b>	<b>Ratio (new policies/new recruits)</b>
2022	359,735	291,918	.81
2021	349,374	323,855	.92
2020	400,345	352,868	.88

30. While there are undoubtedly some Representatives who do not personally purchase Primerica’s products, and some Primerica customers who do not become Representatives, the remarkably consistent ratio of new recruits to policies sold suggests that a majority of Primerica’s customers are also Representatives.
31. Another problematic feature of many MLM systems is the high attrition rate among distributors. A high attrition rate is symptomatic of a poor business opportunity. To state the obvious, distributors who are successful are unlikely to drop out, while distributors who are unsuccessful tend to leave.
32. Primerica acknowledges that it experiences high attrition among its Representatives. At the end of 2020 it had 134,907 representatives qualified to sell life insurance.<sup>12</sup> During 2021 Primerica added 39,622 new life-insurance qualified representatives, out of a pool of 349,374 new recruits.<sup>13</sup> However, at the end of 2021 Primerica had only 129,515 life-insurance qualified representatives.<sup>14</sup> This means that during 2021 Primerica lost 45,014 representatives.
33. During 2022 Primerica added 45,147 life-insurance qualified representatives.<sup>15</sup> However, at the end of 2022 Primerica had a total of 135,208 representatives.<sup>16</sup> Accordingly, during 2022 Primerica lost 39,454 representatives. The high attrition rate explains the importance of recruiting in the Primerica system.

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<sup>10</sup> 2022 Form 10-K, p. 4. Attached to this affidavit at **Exhibit “4”**.

<sup>11</sup> 2022 Form 10-K, p. 10. Attached to this affidavit at **Exhibit “4”**.

<sup>12</sup> 2022 Form 10-K, p. 4. Attached to this affidavit at **Exhibit “4”**.

<sup>13</sup> 2022 Form 10-K, p. 4. Attached to this affidavit at **Exhibit “4”**.

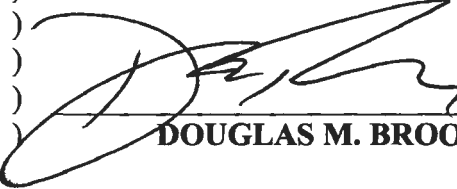
<sup>14</sup> 2022 Form 10-K, p. 4. Attached to this affidavit at **Exhibit “4”**.

<sup>15</sup> 2022 Form 10-K, p. 4. Attached to this affidavit at **Exhibit “4”**.

<sup>16</sup> 2022 Form 10-K, p. 4. Attached to this affidavit at **Exhibit “4”**.

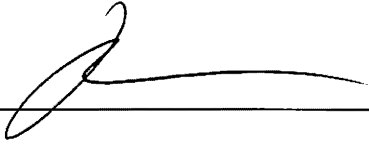
- 34. Without continuous massive recruitment Primerica's sales force would diminish dramatically. Primerica's current high level of recruitment is essential to simply keep its sales force at roughly the same level from year to year.
- 35. I was not physically present before the commissioner, but was linked with the commissioner using video-conferencing technology in accordance with the process described in Court of King's Bench of Alberta's Notice to the Profession and Public Dated March 25, 2020 (NPP#2020-02).

SWORN BEFORE ME in the City of  
Edmonton, Province of Alberta this 27<sup>th</sup>  
day of October, 2023.

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**DOUGLAS M. BROOKS**

- 34. Without continuous massive recruitment Primerica's sales force would diminish dramatically. Primerica's current high level of recruitment is essential to simply keep its sales force at roughly the same level from year to year.
- 35. I was not physically present before the commissioner, but was linked with the commissioner using video-conferencing technology in accordance with the process described in Court of King's Bench of Alberta's Notice to the Profession and Public Dated March 25, 2020 (NPP#2020-02).

SWORN BEFORE ME in the City of )  
 Edmonton, Province of Alberta this 27 )  
 day of October, 2023. )

  
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**DOUGLAS M. BROOKS**

**DEVYN TAYLOR ENS**  
 A Commissioner for Oaths  
 in and for Alberta  
 My Commission Expires January 1, 2024  
 Appointee # 0761114



## REMOTE COMMISSIONING CERTIFICATE

CANADA

PROVINCE OF ALBERTA

I, DEVYN TAYLOR ENS, a Commissioner for Oaths in and for Alberta, DO HEREBY CERTIFY that:

- 1 The process for remote commissioning of affidavits specified in Notice to the Profession and Public NPP#2020-02 dated March 25, 2020 (the "Process") has been followed for the attached affidavit; and
- 2 I am satisfied that the Process was necessary because it was impossible or unsafe, for medical reasons, for the deponent and me to be physically present together.

DATED at Edmonton, Alberta this 27<sup>th</sup> day of October, 2023.



---

Devyn Taylor Ens  
A Commissioner for  
Oaths in and for Alberta

**DEVYN TAYLOR ENS**  
A Commissioner for Oaths  
in and for Alberta  
My Commission Expires January 1, 2024  
Appointee # 0761114

**This is Exhibit "1" referred to in the Affidavit of  
Douglas M. Brooks, sworn this 27 day of October, 2023**



---

**DEVYN TAYLOR ENS**  
A Commissioner for Oaths  
in and for Alberta  
My Commission Expires January 1, 2024  
Appointee # 0761114

DOUGLAS M. BROOKS  
258 Harvard Street, No. 301  
Brookline, MA 02446  
(781) 424-6737  
[dmbrooks@brooks-law.net](mailto:dmbrooks@brooks-law.net)

### **Summary:**

Mr. Brooks is a lawyer based in Brookline, Massachusetts. For close to 40 years Mr. Brooks has litigated a wide variety of civil cases nationwide, including matters involving multilevel marketing (MLM), franchising, dealerships and product distribution, as well as securities, antitrust and consumer protection class actions.

### **Experience with MLM Schemes:**

Mr. Brooks has substantial experience representing the victims of fraudulent and deceptive MLM schemes. He has represented MLM distributors in class actions in state and federal courts. He has also represented whistleblowers in SEC actions involving MLM companies.

Mr. Brooks has worked pro bono for a number of non-profit organizations involved in the effort to educate and protect consumers from deceptive and fraudulent MLM schemes, including Pyramid Scheme Alert ([www.pyramidschemealert.org](http://www.pyramidschemealert.org)), the Consumer Awareness Institute ([www.MLM-thetruth.com](http://www.MLM-thetruth.com)), Quackwatch ([www.quackwatch.com](http://www.quackwatch.com) and [www.mlmmwatch.org](http://www.mlmmwatch.org)), MLM Survivor ([www.mlmsurvivor.com](http://www.mlmsurvivor.com)), and the Cult Education Institute ([www.culteducation.com](http://www.culteducation.com)). On a number of occasions Mr. Brooks' pro bono work has involved defending consumer advocates and web site operators who were sued or threatened by MLM firms.

Since 1995 Mr. Brooks has participated in various rule-making proceedings by the Federal Trade Commission in which he has argued for disclosure and conduct regulation of the MLM industry.

Mr. Brooks is frequently interviewed and quoted in the media concerning MLM issues. He was featured in the award winning documentary *Betting on Zero*, in which he was filmed representing a group of Herbalife distributors who were objecting to a class action settlement.

### **Representative Cases:**

*Webster v. Omnitrition International, Inc.*, 79 F.3d 776, 782 (9th Cir. 1996), *cert. den.* 519 U.S. 865 (1996). Mr. Brooks was class counsel in one of the most significant cases involving the MLM industry, in which the Ninth Circuit held that a MLM firm could not avoid being characterized as a pyramid scheme simply by having rules against inventory loading and requiring retail sales; it has to actually enforce the rules to ensure that distributors retail products to persons who are not also participants in the scheme.

*Capone v. Nu Skin Canada, Inc.*, Case No. 93-C-2855 (D. Utah). Mr. Brooks represented a class of Nu Skin Canada MLM distributors alleging claims for fraud and pyramid scheme violations and won rulings that Canadian distributors could sue under the federal securities laws, and that such claims should be certified for class action treatment.

*Rhodes v. Consumers' Buyline, Inc.*, 668 F.Supp. 368 (D. Mass. 1993). In a case involving victims of a "buying club" which sold memberships through a MLM system, Mr. Brooks successfully argued that securities claims should be upheld and that an arbitration clause in the MLM distributor contract should not be enforced because it violated the public policy of the State of New York.

*Jacobs v. Herbalife International, Inc.*, Case No. CV 02-01431 (C.D. Cal.). Mr. Brooks obtained \$6 million class settlement for distributors who suffered losses after participating in a Herbalife "lead generation system."

*Minton v. Herbalife International, Inc.*, Case No. BC 338305 (Cal. Super. Ct., Los Angeles Cty). After prevailing in motions to dismiss and for class certification, Mr. Brooks obtained \$1.75 million class settlement for distributors victimized by two Herbalife lead generation systems.

*NXIVM Corp. v. Ross Institute*, 364 F.3d 471 (2<sup>nd</sup> Cir. 2004). Mr. Brooks successfully opposed efforts to obtain a preliminary injunction against his clients, including an anti-cult advocate, a non-profit anti-cult organization and a psychologist, in lawsuit by an MLM-style motivational training organization, alleging Copyright and Lanham Act violations, including plaintiff's appeal to the Second Circuit and petition for certiorari to the Supreme Court. Mr. Brooks later won motions for summary judgment resulting in the dismissal of all claims against his clients.  
Mr. Brooks represented the defendants pro bono.

*Scheck v. Burger King Corp.*, 756 F.Supp. 543 (S.D.Fla. 1991), further opinion, 798 F.Supp. 692 (S.D.Fla. 1992) (denying motion for reconsideration). In a widely cited case, Mr. Brooks successfully opposed summary judgment in an encroachment claim by a Burger King franchisee.

*Oganesov v. GNC Franchising Inc.*, Bus. Franchise Guide (CCH) ¶12,163 (Pa.Super. 2001), *aff'd*, Bus. Franchise Guide (CCH) ¶11,808 (Pa. Ct. Cmn.Pl., March 3, 2000). Mr. Brooks won a \$700,000 judgment for a GNC franchisee in encroachment litigation and prevailed in the franchisor's subsequent appeals.

*Gentle Wind Project v. Garvey*, 2005 WL 40064 (D.Me. January 10, 2005). Mr. Brooks successfully obtained dismissal of claims by alleged cult against operator of cult information web site.

*Deimler v. Scheibeler*, No. 2003 CV 1405 CV (Dauphin County Court of Common Pleas, Pennsylvania). Mr. Brooks successfully defended the operator of the

[www.mlmsurvivor.com](http://www.mlmsurvivor.com) web site against claims of defamation by a high level Amway distributor.

**Admissions:** Mr. Brooks is a member of the bar of the Commonwealth of Massachusetts, the U.S. District Court for the District of Massachusetts, and the U.S. Courts of Appeals for the First and Third Circuits. He has been admitted *pro hac vice* in many state and federal courts across the United States.

**Bar Associations and Speaking Engagements:** Mr. Brooks is a member of the American and Massachusetts Bar Associations and a member of the Forum on Franchising of the American Bar Association. Mr. Brooks was a speaker at the 1995 Annual Forum on Franchising of the American Bar Association, where he delivered a paper entitled "Survey Evidence - Use of Collected Data in Encroachment Cases" and has been a speaker at conventions of the American Association of Franchisees and Dealers and the American Franchisee Association. He has been a speaker at several consumer protection conferences held by the Capitol Forum in Washington, D.C. Mr. Brooks presented a paper entitled "Business Opportunity Cults" at the 2019 conference of the International Cultic Studies Association in Manchester, England. Most recently Mr. Brooks was one of the organizers of a series of international conferences on the multilevel marketing industry, [www.mlmconference.com](http://www.mlmconference.com) and [www.mlmconf2023.org](http://www.mlmconf2023.org), which have brought together U.S. and international regulators, academics, journalists, consumer advocates and social media content creators who are concerned with MLM.

**Education:** Suffolk University Law School (J.D. 1982); Northwestern University (B.A. 1979).

**This is Exhibit "2" referred to in the Affidavit of  
Douglas M. Brooks, sworn this 27 day of October, 2023**



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**DEVYN TAYLOR ENS**  
A Commissioner for Oaths  
in and for Alberta  
My Commission Expires January 1, 2024  
Appointee # 0761114

Ad Alert

# Primerica

TINA.org breaks down deceptive income claims touted by top earner at recent convention.

Jul 26, 2019



Imagine if during a job interview, instead of inquiring about your strengths and weaknesses, the boss showed you photos of the luxury homes and expensive cars they own.

Your inner dialogue might go something like this: Am I in the right room? I don't think I'm in the right room. Was I supposed to take a left instead of a right at the end of the hall? I'm definitely not in the right room.

Yet for those who gathered to hear Primerica Senior National Sales Director Ian Prukner speak at the MLM company's convention last month in Atlanta, this was how their job interview went.

"When you have unlimited time and total financial freedom, whatever it is you want, you're going to be able to get or at least get a heck of a lot more than you have now," Prukner told attendees about the exciting opportunity to sell term life insurance, securities and other financial products as a Primerica representative.

Prukner then showed photos of what he's been able to "get" as a result of his Primerica business: a 13,000-square-foot home and sprawling estate in Michigan, for which, he says, he was once quoted \$3,200 by a landscaping company to mow the lawn every month; for the winter, a waterfront home in Florida; his and hers Jeeps; a Mercedes-Benz truck; and a Corvette with a black racing stripe that Prukner calls "my little summer toy."

"I want to share with you some truths that are going to help you create this sort of life and lifestyle," Prukner told the crowd.

But the truth Prukner failed to share with those in attendance was that they won't come close to experiencing his "sort of life and lifestyle." This is because, as a disclaimer that accompanies the photos points out, Primerica representatives as a whole just don't make that much money:

**From January 1 through December 31, 2018, Primerica paid cash flow to its North American sales force at an average of \$6,069, which includes commissions paid on all lines of business to licensed representatives. Figures include U.S. and Canadian dollars remaining in the local currency earned by the representative, not adjusted for exchange rates.**

And when you account for expenses, including a \$99 entry fee, which is itself a red flag, and the cost of obtaining the licenses that Primerica says are required to sell "many product lines," Primerica representatives are actually making much less.

Not to mention an "average" annual payout isn't the best yardstick as it only takes a handful of top earners to skew the number. An example: If 1 out of 100 representatives made \$1 million and the 99 others made \$1 each, the average payout would be \$10,000.99 (before expenses, of course). An income disclosure statement can provide more details about who makes what, and at which levels, but if Primerica has one, it's keeping it to itself. (The company did not answer questions about its income disclosure statement in response to an inquiry by TINA.org.)

TINA.org asked Primerica — a Direct Selling Association member whose misleading income claims extend beyond those at issue here — if it had approved Prukner's speech. In our inquiry we noted a section of the FTC's Business Guidance Concerning Multi-Level Marketing that states in part: "representations through words or through images such as expensive houses [and] luxury automobiles ... likely would be false or misleading to current or prospective participants" if participants generally do not achieve such results. The company responded:

**Primerica operates within all applicable regulatory standards, including the FTC business guidance cited in your email. We appreciate you sending the information you included below, and we are reviewing the materials.**

It did not take long after we contacted Primerica for the YouTube video of Prukner's speech, which was sent to us by a reader and which we shared with



Primerica, to come down. Maybe a day. (The video above was uploaded to YouTube by TINA.org after the original was taken down.)

But it's too little too late. Too little because there are other convention videos of Primerica distributors teaching others how to recruit using deceptive earnings claims. And too late because it doesn't undo the misleading presentation Prukner made to the people in attendance in Atlanta.

Find more of our coverage on the MLM "opportunity" pitch here.

Email Address

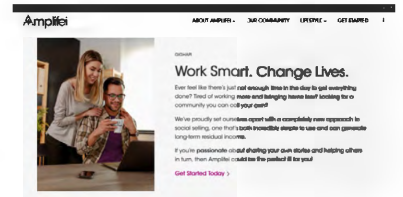
SUBSCRIBE

YOU MIGHT BE INTERESTED IN

Ad Alert

## Amplifei

A misleading income disclosure statement is just the tip of the iceberg with this supplement MLM.



Ad Alert

## Greg Viegas

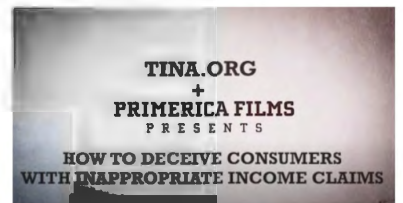
A network marketing coach doesn't deliver on his (expensive) promises.



Consumer News

## Primerica Making Deceptive Income Claims During COVID-19 Pandemic

TINA.org exposes MLM's misleading claims.



Stay informed about deceptive ads.

**This is Exhibit "3" referred to in the Affidavit of  
Douglas M. Brooks, sworn this 27 day of October, 2023**



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**DEVYN TAYLOR ENS**  
A Commissioner for Oaths  
in and for Alberta  
My Commission Expires January 1, 2024  
Appointee # 0761114

## PRIMERICA GENERAL & RECRUITING DISCLOSURES – U.S. & CANADA

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PRIMERICA

THE BUSINESS OPPORTUNITY

COMPENSATION

INDEPENDENT BUSINESS APPLICATION FEES & INQUIRIES

PRIMERICA ONLINE FEES & INQUIRIES

RECRUITING INQUIRIES

OWNERSHIP

PARTNERSHIP

PRESS ROOM

## U.S. ONLY

### PRIMERICA PRODUCT & SERVICE DISCLOSURES – U.S. ONLY

---

INSURANCE

INVESTMENTS AND SAVINGS

BUSINESS CONTINUITY

CHECK HANDLING PROCESS

PROTECTING AGAINST FINANCIAL EXPLOITATION

PRIMERICA MORTGAGE, LLC

CONTACT US

### OTHER PRODUCTS – U.S. ONLY

---

Appropriately licensed sales representatives may also offer products or services of other non-affiliated companies, which include:

PRIMERICA SECURE

PRIMERICA LEGAL PROTECTION PROGRAM

ID THEFT DEFENSE<sup>SM</sup>

VIVINT

FINANCIAL NEEDS ANALYSIS

### SERVICE PROVIDER DISCLOSURES – U.S. ONLY

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IDENTITY VERIFICATION AUTHORIZATION DISCLOSURE

### PRIMERICA GENERAL & RECRUITING DISCLOSURES – CANADA ONLY

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PART-TIME BUSINESS OPPORTUNITY

### PRIMERICA PRODUCT & SERVICE DISCLOSURES – CANADA ONLY

---

INSURANCE

SECURITIES

### OTHER PRODUCTS & SERVICES – CANADA ONLY

---

DEBT CONSOLIDATION

PRE-PAID LEGAL SERVICES

VIVINT

FINANCIAL NEEDS ANALYSIS

CONTINUITY OF BUSINESS

## CANADA ONLY

OTHER PRIMERICA RESOURCES

COMPENSATION

From January 1 through December 31, 2022 Primerica paid cash flow to sales representatives at an average of \$7,479, which includes commissions paid on all lines of business to licensed representatives. Figures include U.S. and Canadian dollars remaining in the local currency earned by the representative, not adjusted for exchange rates.

[Back to top](#)

INDEPENDENT BUSINESS APPLICATION FEES & INQUIRIES

PRIMERICA ONLINE FEES & INQUIRIES

RECRUITING INQUIRIES

OWNERSHIP

PARTNERSHIP

PRESS ROOM

INSURANCE

INVESTMENTS AND SAVINGS

BUSINESS CONTINUITY

CHECK HANDLING PROCESS

PROTECTING AGAINST FINANCIAL EXPLOITATION

PRIMERICA MORTGAGE, LLC

CONTACT US

PRIMERICA SECURE

PRIMERICA LEGAL PROTECTION PROGRAM

ID THEFT DEFENSE<sup>SM</sup>

VIVINT

FINANCIAL NEEDS ANALYSIS

IDENTITY VERIFICATION AUTHORIZATION DISCLOSURE

PART-TIME BUSINESS OPPORTUNITY

INSURANCE

SECURITIES

DEBT CONSOLIDATION

PRE-PAID LEGAL SERVICES

VIVINT

FINANCIAL NEEDS ANALYSIS

CONTINUITY OF BUSINESS

OTHER PRIMERICA RESOURCES



**This is Exhibit "4" referred to in the Affidavit of  
Douglas M. Brooks, sworn this 27 day of October, 2023**



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**DEVYN TAYLOR ENS**  
A Commissioner for Oaths  
in and for Alberta  
**My Commission Expires January 1, 2024**  
Appointee # 0761114

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

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)

30099

(ZIP Code)

Registrant's telephone number, including area code: (770) 381-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	PRI	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

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 every Interactive Data File required to be submitted 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 such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

The aggregate market value of the voting common equity held by non-affiliates of the registrant as of June 30, 2022, was \$4,501,224,081. The number of shares of the registrant's Common Stock outstanding at January 31, 2023, with \$0.01 par value, was 36,645,594.

**Documents Incorporated By Reference**

Certain information contained in the Proxy Statement for the Company's Annual Meeting of Stockholders to be held on May 17, 2023 is incorporated by reference into Part III hereof.



## TABLE OF CONTENTS

	Page
<a href="#"><u>Cautionary Statement Concerning Forward-Looking Statements</u></a>	ii
<a href="#"><u>Risk Factors Summary</u></a>	ii
 <a href="#"><u>PART I</u></a>	
Item 1.	1
<a href="#"><u>Business</u></a>	1
Item 1A.	
<a href="#"><u>Risk Factors</u></a>	24
Item 1B.	
<a href="#"><u>Unresolved Staff Comments</u></a>	42
Item 2.	
<a href="#"><u>Properties</u></a>	42
Item 3.	
<a href="#"><u>Legal Proceedings</u></a>	43
Item 4.	
<a href="#"><u>Mine Safety Disclosures</u></a>	43
Item X.	
<a href="#"><u>Information About Our Executive Officers and Certain Significant Employees</u></a>	43
 <a href="#"><u>PART II</u></a>	
Item 5.	46
<a href="#"><u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u></a>	46
Item 6.	
<a href="#"><u>[Reserved]</u></a>	47
Item 7.	
<a href="#"><u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></a>	48
Item 7A.	
<a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>	70
Item 8.	
<a href="#"><u>Financial Statements and Supplementary Data</u></a>	72
Item 9.	
<a href="#"><u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u></a>	115
Item 9A.	
<a href="#"><u>Controls and Procedures</u></a>	115
Item 9B.	
<a href="#"><u>Other Information</u></a>	117
Item 9C.	
<a href="#"><u>Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</u></a>	117
 <a href="#"><u>PART III</u></a>	
Item 10.	118
<a href="#"><u>Directors, Executive Officers and Corporate Governance</u></a>	118
Item 11.	
<a href="#"><u>Executive Compensation</u></a>	118
Item 12.	
<a href="#"><u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u></a>	118
Item 13.	
<a href="#"><u>Certain Relationships and Related Transactions, and Director Independence</u></a>	119
Item 14.	
<a href="#"><u>Principal Accountant Fees and Services</u></a>	119
 <a href="#"><u>PART IV</u></a>	
Item 15.	120
<a href="#"><u>Exhibits, Financial Statement Schedules</u></a>	120



Item 16.

[Form 10-K Summary](#)

133

[Signatures](#)

134

## CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Investors are cautioned that certain statements contained in this report as well as some statements in periodic press releases and some oral statements made by our officials during our presentations are “forward-looking” statements. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain the words “expect”, “intend”, “plan”, “anticipate”, “estimate”, “believe”, “will be”, “will continue”, “will likely result”, and similar expressions, or future conditional verbs such as “may”, “will”, “should”, “would”, and “could”. In addition, any statement concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by us or our subsidiaries are also forward-looking statements.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond the control of our management team. All forward-looking statements in this report and subsequent written and oral forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by these risks and uncertainties. These risks and uncertainties are described under “Item IA. Risk Factors” and summarized below under “Risk Factors Summary.”

Developments in any of the areas addressed in these risks or uncertainties could cause actual results to differ materially from those anticipated or projected or cause a significant reduction in the market price of our common stock. Further, the risks and uncertainties described under “Item IA. Risk Factors” and summarized below under “Risk Factors Summary” may not include all of the risks and uncertainties that could affect us. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this report may not in fact occur. Accordingly, undue reliance should not be placed on these statements. We undertake no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise, except as otherwise required by law.

### RISK FACTORS SUMMARY

The following is a summary of the risks and uncertainties that could have a material adverse effect on our business. See “Item IA. Risk Factors” for additional information regarding these risks and uncertainties.

#### Risks Related to Our Distribution Structure

- Our failure to continue to attract new recruits, retain independent sales representatives or license or maintain the licensing of independent sales representatives would materially adversely affect our business.
- Certain laws and regulations could apply to our independent contractor distribution model, which could require us to modify our distribution structure.
- There may be adverse consequences if the classification of our independent contractor sales representatives is changed.
- Violation of, or non-compliance with, laws and regulations and related claims and proceedings could expose us to material liabilities.

#### Risks Related to Our Insurance Business and Reinsurance

- Our life insurance business may face significant losses if our actual experience differs from our expectations regarding mortality or persistency.
- Our life insurance business is highly regulated, and statutory and regulatory changes may materially adversely affect our business.
- A decline in the regulatory capital ratios of our insurance subsidiaries could result in increased scrutiny by insurance regulators and ratings agencies and have a material adverse effect on our business.
- A significant ratings downgrade by a ratings organization could materially adversely affect our business.
- The failure by any of our reinsurers or reserve financing counterparties to perform its obligations to us could have a material adverse effect on our business.

#### Risks Related to Our Investments and Savings Products Business

- Our Investment and Savings Products segment is heavily dependent on a limited platform of mutual fund and annuity products offered by a relatively small number of companies and managers. If these products fail to remain competitive with other investment options, our business could be materially adversely affected.
- If our relationship with one or more of our funds, annuities or managers is significantly altered or terminated or there is a shift in the business mix, our business could be materially adversely affected.
- Violations of, or non-compliance with, laws and regulations of the securities business could expose us to material liabilities.
- If heightened standards of conduct or more stringent licensing requirements (such as those adopted by the Securities and Exchange Commission) and the Department of Labor, state legislatures or regulators or Canadian securities regulators, are imposed on us or the independent sales representatives, or selling compensation is reduced as a result of new legislation or regulations, it could have a material adverse effect on our business.
- If our suitability policies and procedures, or our policies and procedures for compliance with federal, state or provincial regulations governing standards of care, were deemed inadequate, it could have a material adverse effect on our business.

- Non-compliance with applicable regulations could lead to revocation of our subsidiary's status as a non-bank custodian, which could have a material adverse effect on our business.

#### **Risks Related to e-TeleQuote's Senior Health Insurance Distribution Business**

- Due to our limited history with e-TeleQuote Insurance, Inc. ("e-TeleQuote"), we may not be able to execute an effective business strategy, which could adversely affect our business.
- e-TeleQuote is highly regulated and subject to compliance requirements of the U.S. government's Centers for Medicare and Medicaid Services and those of its carrier partners. Non-compliance with, or violations of, such requirements may harm its business, which could have a material adverse effect on our business.
- e-TeleQuote generates leads that are internally sourced from marketing initiatives and receives referrals from Primerica independent sales representatives. It also receives leads externally acquired from third-party vendors. e-TeleQuote's business may be harmed if it cannot continue to acquire or generate leads on commercially viable terms, if it is unable to convert leads to sales at acceptable rates, if Primerica independent sales representatives do not introduce consumers to e-TeleQuote, or if policyholder retention is lower than assumed, any of which could adversely impact our business.
- If e-TeleQuote's ability to enroll individuals during the Medicare annual election period is impeded, its business may be harmed, which could adversely impact our business.
- e-TeleQuote's business is dependent on key carrier partners. The loss of a key carrier partner, or the modification of commission rates or underwriting practices with a key carrier partner, could harm its business which could adversely impact our business.

#### **Risks Related to Our Mortgage Distribution Business**

- Licensing requirements will impact the size of the mortgage loan sales force, which could adversely affect our mortgage distribution business.
- Our mortgage distribution business is highly regulated and subject to various laws and regulations in the U.S. and Canada. Changes in, non-compliance with, or violations of, such laws and regulations could affect the cost or our ability to distribute our products and could adversely affect our business.
- In the U.S., we distribute mortgage loans based on contractual agreements with a very limited number of mortgage lenders. A significant change to or disruption in the mortgage lenders' mortgage businesses or an inability of the mortgage lenders to satisfy their contractual obligations to us could adversely affect our business.

#### **Risks Related to Economic Downturns, Public Health Crises or Catastrophes, and Disaster**

- The effects of economic down cycles, issues affecting the national and/or global economy or global geopolitical event(s) could materially adversely affect our business.
- Major public health pandemics, epidemics or outbreaks (such as the COVID-19 pandemic) or other catastrophic events, have impacted and could again materially adversely impact our business.
- In the event of a disaster, our business continuity plan may not be sufficient, which could have a material adverse effect on our business.

#### **Risks Related to Information Technology and Cybersecurity**

- If one of our, or a third-party partner's, significant information technology systems fails, if its security is compromised, or if the Internet becomes disabled or unavailable, our business may be materially adversely affected.
- The current legislative and regulatory climate with regard to privacy and cybersecurity could adversely affect our business.
- Any failure to protect the confidentiality of client information could adversely affect our reputation and have a material adverse effect on our business.
- e-TeleQuote's security measures are designed to protect against breaches of security and other interference with its systems and networks operate independently from Primerica's systems. If e-TeleQuote is subject to cyber-attacks or security breaches or is otherwise unable to safeguard the security and privacy of confidential data e-TeleQuote's business may be harmed, which could have a material adverse effect on our business.

#### **Financial Risks Affecting Our Business**

- Credit deterioration in, and the effects of interest rate fluctuations on our invested asset portfolio and other assets that are subject to changes in credit quality and interest rates could materially adversely affect our business.
- Valuation of our investments and the determination of expected credit losses when the fair value of our available-for-sale invested assets is below amortized cost are both based on estimates that may prove to be incorrect, which could adversely affect our financial condition.
- Changes in accounting standards can be difficult to predict and could adversely impact how we record and report our financial condition and results of operations.
- The inability of our subsidiaries to pay dividends or make distributions or other payments to us in sufficient amounts would impede our ability to meet our obligations and return capital to our stockholders.

#### **Risks Related to Legislative and Regulatory Changes**

- We are subject to various federal, state and provincial laws and regulations in the U.S. and Canada, changes in which may require us to alter our business practices and could materially adversely affect our business.
- The current legislative and regulatory climate with regard to financial services could adversely affect our business.
- Medicare Advantage is a product legislated and regulated by the U.S. government. If the enabling legislation and regulation or implementing guidance issued by CMS changes, e-TeleQuote's business may be harmed, which could have a material adverse effect on our business.
- The current regulatory climate with regard to climate change may adversely affect our business.

**General Risk Factors**

- Litigation and regulatory investigations and actions may result in financial losses and harm our reputation.
- A significant change in the competitive environment in which we operate could negatively affect our ability to maintain or increase our market share and profitability.
- Our continued success requires a high-performing and stable team of employees across all levels, and the loss of key employees could negatively affect our financial results and impair our ability to implement our business strategy.
- We regularly undertake business initiatives to enhance our technology, products, and services. The efficiency and success of these initiatives may vary significantly and may cause unanticipated costs, errors, or disruptions which could have a material adverse effect on our business.
- We may be materially adversely affected by currency fluctuations.
- Any acquisition of or investment in businesses that we may undertake that does not perform as we expect or that is difficult for us to integrate could materially adversely impact our business.
- The market price of our common stock may fluctuate.

## PART I

### ITEM 1. BUSINESS.

Primerica, Inc. (“Primerica”, “we”, “us” or the “Parent Company”) is a leading provider of financial products to middle-income households in the United States and Canada with 135,208 life insurance-licensed sales representatives as of December 31, 2022. These independent licensed representatives (“independent sales representatives” or “independent sales force”) assist our clients in meeting their needs for term life insurance, which we underwrite, and mutual funds, annuities, managed investments and other financial products, which we distribute primarily on behalf of third parties. We insured over 5.7 million lives and had approximately 2.8 million client investment accounts as of December 31, 2022. Our business model uniquely positions us to reach underserved middle-income consumers in a cost-effective manner and has proven itself in both favorable and challenging economic environments.

Our mission is to serve middle-income families by helping them make informed financial decisions and providing them with a strategy and tools to gain financial independence. Our distribution model is designed to:

- *Address our clients’ financial needs.* Independent sales representatives use our proprietary Financial Needs Analysis tool (“FNA”) and an educational approach to demonstrate how our product offerings can provide financial protection for our clients’ families, save for their retirement and other needs, and manage their debt. Typically, our clients are the friends, family members and personal acquaintances of the sales representatives. Meetings are generally held in informal, face-to-face settings either in person or through remote communication tools, usually while clients are in their homes.
- *Provide a business opportunity.* We provide an entrepreneurial business opportunity for individuals to distribute financial products. Low entry fees as well as the ability to select their own schedules and time commitments allow independent sales representatives to supplement their income by starting their own businesses without leaving their current jobs. Our unique compensation structure, technology, sales support and back-office processing are designed to enable independent sales representatives to successfully grow their businesses.

We believe there is significant opportunity to meet the increasing array of financial services needs of our clients. We intend to leverage the independent sales force to meet such client needs, which will drive long-term value for all of our stakeholders. Our strategy is organized across four primary areas:

- Maximizing independent sales force growth, leadership and productivity;
- Broadening and strengthening our protection product portfolio;
- Becoming the middle-income market’s provider of choice for retirement and investment products; and
- Developing powerful digital capabilities that deepen our client relationships and extend our reach in the market.

We acquired 80% of e-TeleQuote Insurance, Inc. and subsidiaries (collectively, “e-TeleQuote”) through our subsidiary, Primerica Health, Inc. (“Primerica Health”) on July 1, 2021 and the remaining 20% on July 1, 2022. e-TeleQuote markets Medicare-related insurance products underwritten by third-party health insurance carriers to eligible Medicare participants through its licensed health insurance agents. Refer to Note 20 (Acquisition) to our consolidated financial statements included elsewhere in this report for more information regarding the acquisition of e-TeleQuote.

#### Corporate Structure

We conduct our core business activities in the United States through four principal entities, all of which are direct or indirect wholly owned subsidiaries of the Parent Company:

- Primerica Financial Services, LLC (“PFS”), our general agency and marketing company;
- Primerica Life Insurance Company (“Primerica Life”), our principal life insurance underwriting company;
- PFS Investments Inc. (“PFS Investments”), our investment and savings products company, broker-dealer and registered investment advisor; and
- e-TeleQuote, a distributor of Medicare-related insurance products underwritten by third-party health insurance carriers.

Primerica Life is domiciled in Tennessee, and its wholly owned subsidiary, National Benefit Life Insurance Company (“NBLIC”), is a New York-domiciled life insurance underwriting company.

We conduct our core business activities in Canada through three principal entities, all of which are indirect wholly owned subsidiaries of the Parent Company:

- Primerica Life Insurance Company of Canada (“Primerica Life Canada”), our Canadian life insurance underwriting company;
- PFS Investments Canada Ltd. (“PFS Investments Canada”), our Canadian licensed mutual fund dealer; and
- PFS Fund Management Ltd. (“PFS Fund Management”), our Canadian investment funds manager.

Primerica was incorporated in the United States as a Delaware corporation in October 2009 to serve as a holding company for the Primerica businesses (collectively, the “Company”). Except for e-TeleQuote, our businesses were transferred to us by Citigroup, Inc. on April 1, 2010 in a reorganization pursuant to which we completed an initial public offering in April 2010 (the “IPO”). On March 31, 2010, we entered into certain coinsurance transactions to cede between 80% and 90% of the risks and rewards of our term life insurance policies that were in force at year-end 2009. We administer pre-IPO policies subject to these coinsurance agreements.

## Our Clients

Our clients are generally middle-income consumers, which we define as households with \$30,000 to \$100,000 of annual income. According to the 2021 U.S. Census Bureau Current Population Survey, the latest period for which data is available, approximately 43% of U.S. households fall in this range. We believe that we understand the financial needs of the middle-income segment, which include:

- *Many have inadequate or no life insurance coverage.* Individual life insurance sales in the United States declined from 12.9 million policy sales in 1975 to 10.1 million policy sales in 2021, the latest period for which data is available, according to LIMRA, a worldwide association of insurance and financial services companies. We believe that term life insurance, which we have provided to middle-income clients for many years, is generally the best option for them to meet their life insurance needs.
- *Many need help saving for retirement and other personal goals.* Many middle-income families find it challenging to save for retirement and other personal goals. By developing personalized savings programs for our clients using our proprietary FNA and offering a wide range of mutual funds, annuities, managed investments and segregated fund products sponsored and managed by established firms, independent sales representatives are well equipped to help clients develop long-term savings plans to address their financial needs. We allow our clients to establish monthly contributions to investment savings plans with as little as \$25 per month.
- *Many need to reduce their debt.* Many middle-income families have numerous debt obligations from credit cards, auto loans, and home mortgages. We help our clients address these financial burdens by providing personalized and client-driven debt resolution techniques.
- *Many prefer to meet face-to-face when considering financial products.* Historically, many middle-income consumers have indicated a preference to meet face-to-face when considering financial products or services. As such, we have designed our distribution model to address this preference in a cost-effective manner through a network of more than 135,000 life insurance-licensed independent sales representatives who meet with clients in person or using remote communication tools based on client preference.
- *Many need Medicare coverage as they reach the age of eligibility.* In 2022, there were approximately 58.6 million eligible Medicare beneficiaries in the United States according to the Kaiser Family Foundation. According to the United States Census Bureau, approximately 10,000 individuals turn 65 on a daily basis. As a result, the number of Medicare eligible participants is expected to continue to grow.
- *Many are looking to finance the purchase of a home or refinance an existing mortgage.* Most middle-income consumers need mortgages to finance the purchase of a home. In addition, through refinancing a mortgage loan, clients may be able to change the term of their loan, access home equity for cash, home improvements and/or debt consolidation and in limited circumstances lower their interest rate.

## Our Distribution Model

Our distribution model is a modified traditional insurance agency model designed to reach and serve middle-income consumers efficiently through the independent sales force. Key characteristics of our unique distribution model include:

- *Independent entrepreneurs:* Independent sales representatives are independent contractors building and operating their own businesses. This approach means that independent sales representatives are entrepreneurs who take responsibility for selling products, recruiting and developing other independent sales representatives, setting their own schedules and managing and paying the administrative expenses associated with their sales activities.
- *Low barriers to entry:* By offering a flexible time commitment opportunity, we are able to attract a significant number of recruits who desire to earn supplemental income and generally concentrate on smaller-sized transactions typical of middle-income consumers. Independent sales representatives are able to start their businesses for low fees, for which they receive technological support, pre-licensing training and access to licensing examination preparation programs. Independent sales representatives sell or refer products directly to consumers, and therefore our business opportunity does not require recruits to purchase and resell our products. Most independent sales representatives begin selling products on a part-time basis, which enables them to hold jobs while exploring an entrepreneurial business opportunity with us.
- *Sales force leadership:* An independent sales representative who has built a successful organization and has obtained his or her life insurance and securities licenses can achieve the sales designation of Regional Vice President (“RVP”), which qualifies him or her for a higher commission schedule. RVPs are independent contractors who open and operate offices for their sales organizations and devote their full-time attention to their businesses. RVPs also support and monitor the independent sales representatives, on whose sales they earn commissions, in achieving compliance with applicable regulatory requirements. RVPs’ efforts to expand their businesses are a primary driver of our success.

- *Innovative compensation structure:* We have developed an innovative system for compensating the independent sales force that is contingent upon product sales. We advance to independent sales representatives a significant portion of their insurance commissions, which are subject to chargebacks, upon their submission of an insurance application and the first month's premium payment. In addition to being a source of motivation, this advance provides independent sales representatives with immediate cash flow to offset their costs. Monthly production bonuses are also paid to RVPs whose sales organizations meet certain sales levels. With compensation tied to sales activity, our approach accommodates varying degrees of individual productivity, which allows us to effectively use a large group of part-time independent sales representatives while providing a variable cost structure. In addition, we incentivize RVPs with quarterly stock awards based largely on sales production ("agent equity awards"), which aligns their interests with those of our stockholders.
- *Large, dynamic sales force:* Members of the independent sales force primarily serve their friends, family members and personal acquaintances through individually driven networking activities. We believe that this warm market approach is an effective way to distribute our product offerings because it facilitates face-to-face interaction initiated by a trusted acquaintance of the prospective client, which is difficult to replicate using other distribution approaches. Due to the large size of the independent sales force and the active recruiting of new independent sales representatives, the independent sales force is able to continually access an expanding base of prospective clients without engaging costly media channels.
- *Motivational culture:* In addition to the motivation for independent sales representatives to achieve financial success, we seek to create a culture that inspires and rewards independent sales representatives for their personal successes and those of their sales organizations through independent sales force recognition events and contests. We also use Intranet-streamed broadcasts and local, regional and national meetings to inform and teach independent sales representatives, as well as facilitate camaraderie and the exchange of ideas across the independent sales force. These initiatives encourage and empower independent sales representatives to develop their own successful sales organizations.
- *Inclusive culture:* Building and maintaining an ethnically and demographically diverse independent sales force is important to us, as we believe the independent sales force reflects the middle market communities we serve. As the communities we serve become more diverse, the independent sales force does as well.

### **Structure and Scalability of the Independent Sales Force**

New independent sales representatives are recruited by existing independent sales representatives. When these new recruits become independent sales representatives, they become part of the sales organization of the independent sales representative who recruited them as well as the sales organizations to which the recruiting independent sales representative belongs. We encourage independent sales representatives to bring in new recruits to build their own sales organizations, enabling the Company to reach more middle-income families.

RVPs establish and maintain their own offices, which we refer to as field offices. Additionally, as independent entrepreneurs, they are responsible for, and have control over, the costs of their administrative staff, marketing materials, travel, training and certain recognition events for the independent sales representatives in their respective sales organizations. Field offices provide a location for independent sales representatives to conduct recruiting meetings, training events and sales-related meetings, disseminate our Intranet-streamed broadcasts, conduct compliance functions, and house field office business records. Some business locations house more than one field office. At December 31, 2022, approximately 5,900 field offices in 3,200 locations were managed by independent sales representatives that served as RVPs. Independent sales representatives also leverage remote communication tools to conduct field office meetings. RVPs play a major role in training, motivating and monitoring their independent sales force organization.

Because the independent sales representative's compensation grows with the productivity of his or her sales organization, our distribution model provides financial rewards to independent sales representatives who successfully develop, support and monitor productive independent sales representatives. In addition to our commission structure, we offer the Primerica Ownership Program. This program provides qualifying RVPs a contractual right, upon meeting certain criteria, to transfer their Primerica businesses to another RVP or a qualifying family member at such time as they desire. Furthermore, we have developed proprietary tools and technology, which we make available to the independent sales representatives, to enable RVPs to reduce the time spent on administrative responsibilities associated with their sales organizations so they can devote more time to the sales, recruiting and training activities that drive our growth. We believe that our tools and technology, coupled with our sales compensation programs, further incentivize independent sales representatives to become RVPs.

Both the structure of the independent sales force and the capacity of our support capabilities provide us with a high degree of scalability as we grow our business. Our support systems and technology are capable of supporting a large independent sales force and a high volume of transactions. In addition, by sharing training and compliance activities with RVPs, we are able to grow the Company without incurring proportionate overhead expenses.

### **Recruitment of Independent Sales Representatives**

The recruitment of independent sales representatives is undertaken by existing independent sales representatives, who identify prospects and share with them the benefits of associating with our organization. Independent sales representatives showcase the Company as dynamic and capable of improving the lives of middle-income families.

After the initial contact, independent sales representatives typically invite prospective recruits to an opportunity meeting, conducted in person or through remote communication tools, which is conducted by an RVP. The objective of an opportunity meeting is to inform prospective recruits about our mission and their opportunity to start their own businesses by becoming independent sales representatives. At the conclusion of each opportunity meeting, attendees who are interested are asked to complete an application and pay a nominal fee to commence their pre-licensing training and licensing examination preparation programs and, depending on the state or province, to cover their licensing exam registration costs, which are provided by the Company generally at no additional charge. Recruits are not obligated to purchase any of the products we offer in order to become independent sales representatives, though they may elect to make such purchases.

Recruits may become our clients or provide us with access to their friends, family members and personal acquaintances. As a result, we continually work to improve our systematic approach to recruiting and training new independent sales representatives.

Similar to other distribution systems that rely upon part-time independent sales representatives and typical of the life insurance industry in general, we experience wide disparities in the productivity of individual independent sales representatives. Many new recruits do not get licensed, often due to the time commitment required to obtain licenses and various regulatory and licensing hurdles. Many licensed independent sales representatives are only marginally active, as there are no minimum life insurance production requirements. We plan for this disparate level of productivity and view a continuous recruiting cycle as a key component of our distribution model. Our distribution model is designed to address the varying productivity associated with independent sales representatives by paying production-based compensation, emphasizing recruiting, and developing initiatives to address barriers to licensing new recruits. By providing commissions to independent sales representatives on the sales generated by their sales organization, our compensation structure aligns the interests of independent sales representatives with our interests in recruiting new representatives and creating sustainable sales production.

The following table provides information on new recruits and life insurance-licensed independent sales representatives:

	Year ended December 31,		
	2022	2021	2020
Number of new recruits	359,735	349,374	400,345
Number of newly life insurance-licensed independent sales representatives	45,147	39,622	48,106
Number of life insurance-licensed independent sales representatives, at period end	135,208	129,515	134,907 <sup>(1)</sup>
Average number of life insurance-licensed independent sales representatives during period	132,077	131,315	133,302

<sup>(1)</sup> Number of life insurance-licensed independent sales representatives at December 31, 2020 includes 3,597 temporary licenses that were issued in response to the COVID-19 pandemic and 2,508 licenses that were extended due to the COVID-19 pandemic.

We define new recruits as individuals who have submitted an independent business application to become independent sales representatives together with payment of the nominal fee to commence their pre-licensing training. Certain recruits may not meet the compliance standards to become an independent sales representative, and others elect to withdraw prior to becoming actively engaged.

On average, it takes approximately three months for independent sales representatives to complete the necessary applications and pre-licensing coursework and to pass the applicable state or provincial examinations to obtain a license to sell term life insurance products. As a result, individuals recruited to become independent sales representatives within a given fiscal period may not become licensed independent sales representatives or meet compliance standards until a subsequent period.

### Sales Force Motivation, Training, Communication and Sales Support Tools

Motivating, training and communicating with the independent sales force are critical to our success and that of the independent sales force.

**Motivation.** Through our proven system of sales force recognition events, contests and communications, we provide incentives that drive our results. Motivation is driven largely by independent sales representatives' desire to achieve higher levels of financial success by building their own businesses. The opportunity to help underserved middle-income households address financial challenges is also a source of motivation for many independent sales representatives.

While the RVPs are responsible for motivating the independent sales representatives in their own organizations, we provide a system that motivates independent sales representatives to succeed in their businesses by:

- compensating independent sales representatives for product sales or referrals made by them and their sales organizations;
- training independent sales representatives on financial fundamentals so they can confidently and effectively assist our clients;
- reducing the administrative burden on the independent sales force, which allows them to devote more of their time to building a sales organization and selling products;
- creating a culture in which independent sales representatives are encouraged to achieve goals through the recognition of their sales and recruiting achievements, as well as those of their sales organizations; and
- conducting numerous local, regional and national meetings to help inform and motivate the independent sales force.



In 2022, we also hosted our biennial international convention, which was attended by approximately 35,000 people, at the Mercedes-Benz Stadium in Atlanta, Georgia. New recruits and independent sales representatives who attended our convention and associated meetings do so at their own expense, which we believe further demonstrates their commitment to our organization and mission.

**Training, Communication and Sales Support Tools.** Primerica Online (“POL”), delivered through a secure Intranet website and a cross-platform mobile application (“Primerica App”) is our primary tool designed to support independent sales representatives and assist them in building their own businesses. We provide independent sales representatives with communication, training, and sales support tools on POL that allow both new and experienced sales representatives to offer financial information and products to our clients. POL provides independent sales representatives with access to various business tracking and management tools, licensing support tools, product-specific training, and sales procedures and tools. Additionally, POL provides access to internal training programs and videos covering sales, management skills, business ownership, and compliance. We also use POL to provide real-time recognition of independent sales representatives’ successes and scoreboards for independent sales force production, contests, and leadership trips. In addition, POL is a gateway to our product providers and product support. Subscribers generally pay a small monthly fee to subscribe to POL, which helps cover the cost of developing new resources and maintaining this support system. A limited version of POL that provides access to Primerica e-mail, compliance and compensation information, newsletters and bulletins is available at no cost.

The primary features and tools available on POL include:

- **Training and Licensing Tools:** POL provides independent sales representatives with access to study tools for life insurance and securities licensing examinations such as pre-licensing study materials, on-demand videos, personalized licensing study plans, exam simulators, progress tracking, and exam and license registration. POL also provides training materials and access to obtain online certifications to sell certain other distributed products.
- **Communication Tools:** POL provides access to marketing materials for our product offerings, Company news and events, live streaming shows, on-demand videos, home office bulletins, Primerica e-mail, contact lists, and a hosted professional business website for independent sales representatives. We broadcast and deliver video content on POL through our own digital video channel, PFN TV. We create original broadcasts and videos that enable home office management to provide business updates to the independent sales force as well as training and motivational presentations. We broadcast live programs hosted by home office management and selected RVPs that focus on new developments and provide motivational messages to the independent sales force. We also broadcast training-oriented programs to the independent sales force on a weekly basis and profile successful independent sales representatives, allowing these individuals to educate and train other independent sales representatives by sharing their methods for success.
- **Sales Support and Client Management Tools offered through POL:**
  - **Our Financial Needs Analysis:** Our FNA is a proprietary, needs-based analysis tool. The FNA gives independent sales representatives the ability to collect and synthesize client financial data and develop a financial analysis for the client that is easily understood. The FNA helps our clients understand their financial needs in the areas of debt, financial protection, and savings as well as introduces prudent financial concepts, such as regular saving and accelerating the repayment of high cost credit card debt, to help them reach their financial goals. The FNA also provides clients with a snapshot of their current financial position and identifies their life insurance, savings and debt resolution needs.
  - **Our Point-of-Sale Application Tool:** Our point-of-sale technology, TurboApps, streamlines the application process for our insurance and investment products. These applications automatically populate client information from the FNA and other external sources to eliminate redundant data collection and provide real-time feedback to eliminate incomplete and illegible applications. Integrated with our paperless field office management system described below and with our home office systems, TurboApps allows RVPs and us to realize the efficiencies of straight-through-processing of application data and other information collected on independent sales representatives’ mobile devices, which results in expedited processing of product sales. TurboApps also features EZ-Key, which is a tool that helps independent sales representatives guide clients through the investment decision process and ultimately provides investment alternatives based on the client’s individual situation. TurboApps is available on the independent sales representatives’ portal, POL and our mobile platform, the Primerica App.
  - **Primerica App:** The mobile Primerica App platform has been adopted broadly and provides the independent sales force with access to the critical components needed to start, build and maintain their businesses. We continually enhance and expand the scope and resources available in this strategic platform.
  - **Virtual Base Shop:** In an effort to ease the administrative burden on RVPs and simplify independent sales force operations, we make available to RVPs a secure Intranet-based paperless field office management system as part of the POL subscription. This virtual office is designed to automate the RVP’s administrative responsibilities and can be accessed by subscribing independent sales representatives in an RVP’s immediate sales organization, which we refer to as his or her base shop.
  - **Shareholder Account Manager (“SAM”):** SAM is a web-based tool, accessed through our transfer agent recordkeeping platform, that allows securities-licensed independent sales representatives to service client investments in mutual funds.
  - **Client Relationship Manager (“CRM”):** Our CRM tool allows independent sales representatives and their RVPs to organize client information, such as personal contact information, product relationships, account details, notes,

appointments, follow-ups, and marketing campaigns, in one place to enable fast and convenient access for managing client relationships.

- *Primerica Social*: We maintain a pre-approved repository of social media content that can be shared by independent sales representatives to grow their network and spread Primerica messaging.

In addition, our publications department produces materials to support, motivate and inform the independent sales force. We sell recruiting materials, sales brochures, business cards and stationery and provide communications services that include web design, print presentations, graphic design and script writing. We also produce a weekly mailing that includes materials promoting our current incentives, as well as the latest news about our product offerings.

### **Performance-Based Compensation Structure**

Our commission structure is rooted in our origin as an insurance agency. Sales representatives, who are independent contractors, can receive compensation in multiple ways, including:

- sales commissions and fees based on their personal sales, referrals, and client assets under management;
- sales commissions based on sales and referrals by independent sales representatives in their sales organizations and fees based on client assets under management in their sales organizations; and
- bonuses and other compensation, including agent equity awards, generated by their own sales performance, the aggregate sales performance of their sales organizations and other criteria.

Our compensation structure pays commissions to the independent sales representative who sells the product and to several representatives above the selling representative within their sales organization.

With respect to term life insurance sales, commissions are calculated based on the total first-year premium (excluding the policy fee) for all policies and riders. To motivate the independent sales force, we compensate independent sales representatives for term life insurance product sales as quickly as possible. We advance a majority of the insurance commission upon the submission of a completed application and the first month's premium payment. As the client makes his or her premium payments, the commission is earned by the independent sales representative and the commission advance is recovered by the Company. If premium payments are not made by the client and the policy terminates, any outstanding advance commission is charged back to the independent sales representative. The chargeback, which only occurs in the first year of a policy, equals that portion of the advance that was made, but not earned, by the independent sales representative because the client did not pay the full premium for the period of time for which the advance was made to the independent sales representative. Chargebacks, which occur in the normal course of business, may be recovered by reducing any cash amounts otherwise payable by the Company to the independent sales representative.

Independent sales representatives and representatives above them in their sales organizations are contractually obligated to repay us any commission advances that are ultimately not earned due to the underlying policy lapsing prior to the full commission being earned. Additionally, we hold back a portion of the commissions earned by independent sales representatives as a reserve out of which we may recover chargebacks. The amounts held back are referred to as deferred compensation account commissions ("DCA commissions"). DCA commissions are available to reduce amounts owed to the Company by independent sales representatives and they provide an independent sales representative with a cushion against the chargeback obligations of representatives in their sales organization. DCA commissions, unless applied to amounts owed, are ultimately released to independent sales representatives.

We pay most term life insurance commissions during the first policy year. One of our term riders provides for coverage increases after the first year. For such riders, we pay first-year and renewal commissions only for premium increases related to the increased coverage. Additionally, we pay renewal commissions on some older in-force policies. At the end of a policy's level premium paying period, we pay commissions on policy exchanges and bonuses on some policy exchanges and continuations.

We also pay bonuses as a percentage of premiums to RVPs with respect to sales of term life policies and riders, up to a maximum premium. Bonuses are paid to RVPs for achieving specified production levels.

For U.S. mutual funds (non-managed investments) and annuity products, commissions are paid both on the sale and on the value of assets under management. Commissions are calculated based on the dealer allowance and trail commission actually paid to us. For managed investment products, fees earned are based on the assets under management and represent the fee we receive as compensation for as long as we retain the account. In July 2022, we began offering a series of mutual funds in Canada whereby independent sales representatives earn monthly fees based on clients asset values (the "asset based fees"), have the option of receiving upfront compensation from PFSL Investments Canada based on the amount invested with reduced asset based fees for a period of five years, and are able to negotiate with an investor to earn a front-end load sales commission. If independent sales representatives choose to receive upfront compensation from PFSL Investments Canada, they are subject to a chargeback of the upfront compensation on a declining scale if the investor redeems some or all of the investment within five years. For our Canadian segregated fund investment products, we pay independent sales representatives a sales commission based on the amount invested and a monthly fee based on clients' asset values. As a result of Canadian regulatory changes that will be effective in June 2023, we will modify our compensation structure for our Canadian segregated fund investment products. For further details of these regulatory changes, refer to the "Regulatory Changes" section in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations".

Primerica compensates Primerica Senior Health certified independent sales representatives with fees for services provided, including education and related services associated with introducing eligible seniors to e-TeleQuote.

We also pay the independent sales force with respect to mortgage originations, sales of prepaid legal services subscriptions, and referrals for customers purchasing other distributed products. Mortgage originations compensation paid to the independent sales force is earned for each closed mortgage loan based on a percentage of the loan amount, subject to regulatory maximums. Prepaid legal services commissions paid to the independent sales force are earned in fixed amounts on a monthly basis as long as the prepaid legal service subscription remains active. Commissions related to other distributed products are calculated based on the type of product sold or referred.

In addition to these methods of compensation, RVPs can earn quarterly agent equity awards based largely on sales production.

### **Sales Force Licensing and Support**

The states, provinces and territories in which independent sales representatives operate generally require them to obtain and maintain licenses to sell our insurance and securities products, which requires them to pass applicable examinations. Independent sales representatives may also be required to maintain licenses to sell certain of our other distributed products. To encourage new recruits to obtain their life insurance licenses, we either pay directly or reimburse the independent sales representative for certain licensing-related fees and expenses once he or she passes the applicable exam and obtains the applicable life insurance license. In addition, new recruits are eligible to earn compensation if they participate in field training observations with experienced independent sales representatives and complete the licensing process within a specified timeframe. To sell insurance products, independent sales representatives must be licensed by their resident state, province or territory and by any other state, province or territory in which they do business. In most states, independent sales representatives must also be appointed by our applicable insurance subsidiary. Our in-house life insurance licensing program offers new recruits a significant number of classroom life insurance pre-licensing courses to meet applicable state and provincial licensing requirements and prepares recruits to pass applicable licensing exams.

To sell mutual funds and variable annuity products, U.S. sales representatives must be registered with the Financial Industry Regulatory Authority ("FINRA") and hold the appropriate license(s) designated by each state in which they sell securities products, as well as be appointed by the annuity underwriter in the states in which they market annuity products. Sales representatives must meet all state and federal regulatory requirements and be designated as an investment advisor representative in order to sell our managed investment products. We contract with third-party training firms to conduct securities license exam preparation for sales representatives, and we also offer supplemental training tools.

Canadian independent sales representatives selling mutual fund products are required to be registered by the securities regulators in the provinces and territories in which they sell mutual fund products. Canadian independent sales representatives who are licensed to sell our insurance products do not need any further licensing to sell our segregated funds products.

In most states, Primerica's independent sales representatives can become certified to make Senior Health referrals by completing an internal training and brief certification course. Upon completion of the certification process, Primerica's independent sales representatives may educate eligible participants about Medicare in general, refer them to an e-TeleQuote licensed health insurance agent and provide certain other related services.

To offer mortgage loan products in the United States, independent sales representatives must be individually licensed as mortgage loan originators by the states in which they do business and, in some states, they must also be individually licensed as mortgage brokers.

For sales of our other distributed products, appropriate state, provincial and territorial licensing may be required.

### **Supervision and Compliance**

To ensure compliance with various federal, state, provincial and territorial legal requirements, we and the RVPs share responsibility for maintaining an overall compliance program that involves compliance training and supporting, as well as monitoring the activities of independent sales representatives. We work with the RVPs to develop and maintain appropriate compliance procedures and systems.

Generally, RVPs must obtain a principal license (FINRA Series 26 in the United States and Branch Manager license in Canada), and, as a result, they assume additional regulatory responsibility over the activities of their sales organizations. Additional supervision is provided by designated principal-licensed home office personnel, referred to as Regional Securities Principals ("RSP"). RSPs are required to supervise and monitor activity across all product lines and report any compliance issues they observe to our Compliance Department. In addition, our Compliance Department regularly runs surveillance reports designed to monitor the activity of the independent sales force and investigates any unusual or suspicious activity identified during these reviews or during periodic inspections of RVP offices.

All independent sales representatives are required to participate in our annual compliance meeting, a program administered by our senior management and our legal and compliance staff. We provide a compliance training overview across all product lines and

require the completion of compliance checklists by each licensed independent sales representative for each product he or she offers. Additionally, independent sales representatives receive periodic compliance communications, both in writing and through videos, regarding new compliance developments and business issues of significance.

Our Field Audit Department regularly conducts audits of all sales representative offices, including scheduled and no-notice audits when feasible. Our Field Audit Department reviews regulatory-required records that are not maintained at our home office. Any compliance deficiencies noted in the audit must be corrected, and we carefully monitor all corrective action. Audit deficiencies are addressed through reprimands, probations and contract terminations.

### **Senior Health Distribution**

In the United States, our subsidiary, e-TeleQuote, distributes Medicare-related insurance products to eligible Medicare participants and enrolls them in coverage utilizing e-TeleQuote's team of licensed health insurance agents. e-TeleQuote's licensed health insurance agents are employees of e-TeleQuote. These licensed health insurance agents utilize e-TeleQuote's proprietary technology, including telephony, relationship management, lead analytics, and plan comparison tools, to enroll participants in eligible Medicare plans.

e-TeleQuote's licensed health insurance agents are full-time employees who are motivated through compensation systems that track performance and reward them accordingly. This compensation system includes an hourly wage plus an incentive compensation component based on individual sales performance and key performance indicators, which include policy retention. We provide sales support through the sourcing and screening of leads, allowing our licensed health insurance agents to maximize time spent with potential enrollees, as well as through proprietary technology that provides relationship management, lead analytics, and plan comparisons for licensed health insurance agents to facilitate the enrollment of participants in eligible Medicare plans. e-TeleQuote manages the licensing, certification and training process through its dedicated health insurance licensing team and technology platform for regulatory compliance. Continuing education is provided annually to ensure that our licensed health insurance agents are up to date with carrier updates, compliance and technology.

In order to market Medicare insurance products, e-TeleQuote's licensed health insurance agents are required to hold a state issued license to market health insurance products within that state. Each agent holds a resident license from the state in which they are based and acquires non-resident licenses for each of the other states in which they conduct business. In order to obtain an initial resident license, prospective e-TeleQuote licensed health insurance agents are required to complete online or classroom training and pass a comprehensive state licensing exam covering health insurance product features and benefits, risk management and health insurance regulations. Non-resident licenses are issued by states on the basis of reciprocity as long as the agent is in good standing with their resident state, as well as upon payment of a license fee.

Once licensed to sell health insurance by state agencies, e-TeleQuote's licensed health insurance agents need to be certified annually by a health insurance carrier to sell that carrier's products. State law may also require agents to be appointed by a health insurance carrier as the carrier's agent. Such certification involves online classes and testing for subject matters like the basics of Medicare, fee-for-service plan eligibility and benefits, different types of plans, enrollment processes and requirements, marketing compliance, anti-money laundering, fraud, waste, and abuse detection and reporting. The certification process can take up to 40 hours of classes and testing before an agent will be allowed to sell Medicare plans.

e-TeleQuote has developed an internal regulatory compliance system that tracks requirements for agent licensing, agent continuing education, agent appointment by carrier, carrier mandated certifications and Centers for Medicare and Medicaid Services ("CMS") mandated certifications. e-TeleQuote's compliance officer manages, implements, and oversees all aspects of agent compliance, including the quality assurance testing of sales calls.

### **Our Product Offerings**

Reflecting our philosophy of helping middle-income clients with their financial services needs and ensuring compatibility with our distribution model, our product offerings generally meet the following criteria:

- *Consistent with sound individual finance principles:* Products must be consistent with good personal finance principles for middle-income consumers, such as financial protection, encouraging long-term savings and reducing debt.
- *Designed to support multiple client goals:* Products are designed to address and support a broad range of financial goals rather than compete with or cannibalize each other. For example, term life insurance does not compete with mutual funds because term life insurance has no cash value or investment element.
- *Ongoing needs based:* Products are generally designed to meet the ongoing financial needs of many middle-income consumers. This long-term approach bolsters our relationship with our clients by allowing us to continue to serve them as their financial needs evolve.

We use four operating segments to organize, evaluate and manage our business: Term Life Insurance; Investment and Savings Products; Senior Health; and Corporate and Other Distributed Products.

The following table provides information on our principal product offerings and the principal sources thereof by operating segment as of December 31, 2022.

Operating Segment	Principal Product Offerings	Principal Sources of Products (Applicable Geographic Territory)		
<b>Term Life Insurance</b>	<i>Term Life Insurance</i>	Primerica Life (U.S. (except New York), the District of Columbia and certain territories)		
		NBLIC (New York)		
<b>Investment and Savings Products</b>	<i>Mutual Funds and Certain Retirement Plans</i>	Primerica Life Canada (Canada)		
		American Century Investments (U.S.)		
		American Funds (U.S.)		
		Equitable Distributors, LLC (U.S.)		
		Nuveen, LLC (U.S.)		
		VOYA Financial, Inc. (U.S.)		
		Fidelity Investments (U.S. and Canada)		
		Franklin Templeton Investments (U.S. and Canada)		
		Invesco (U.S. and Canada)		
		AGF Investments (Canada)		
		Mackenzie Investments (Canada)		
		PFSL Fund Management Ltd. (Canada)		
		<i>Managed Investments</i>	PFS Investments (dba Primerica Advisors) (as a program sponsor) (U.S.)	
		<i>Variable Annuities</i>	Corebridge Financial, Inc. (U.S.)	
			BrightHouse Financial, Inc. (U.S.)	
	Equitable Distributors, LLC (U.S.)			
	Lincoln National Corporation (U.S.)			
	<i>Fixed Indexed Annuities</i>	Corebridge Financial, Inc. (U.S.)		
	Lincoln National Corporation (U.S.)			
	Universal Life Insurance Company (Puerto Rico)			
	Universal Life Insurance Company (Puerto Rico)			
	<i>Fixed Annuities</i>	American Funds (U.S.)		
	<i>Employer Sponsored Retirement Plans</i>	Equitable Distributors, LLC (U.S.)		
		VOYA Financial, Inc. (U.S.)		
	<i>Segregated Funds</i>	Primerica Life Canada (Canada)		
<b>Senior Health</b>	<i>Medicare Advantage and Medicare Supplement Plans</i>	Aetna Inc. (U.S.)		
		Anthem, Inc. (U.S.)		
		Cigna, Inc. (U.S.)		
		Humana, Inc. (U.S.)		
		Mutual of Omaha (U.S.)		
		UnitedHealthcare Group, Inc. (U.S.)		
		Rocket Mortgage, LLC (U.S.)		
<b>Corporate and Other Distributed Products</b>	<i>Mortgage Loans <sup>(1)(2)</sup></i>	Spring EQ LLC (U.S.)		
		Rocket Mortgage Canada ULC (Canada)		
		8Twelve Mortgage Corp. (Canada)		
		<i>Prepaid Legal Services</i>	Pre-Paid Legal Services, Inc. (U.S. and Canada)	
		<i>ID Theft Defense</i>	Pre-Paid Legal Services, Inc. (U.S. and Canada)	
		<i>Supplemental Health and Accidental Death &amp; Disability Insurance</i>	The Edge Benefits Inc. and its affiliates (Canada)	
		<i>Auto and Homeowners' Insurance <sup>(2)</sup></i>	Various insurance companies, as offered through Answer Financial, Inc. (U.S.)	
			SurexDirect.com Ltd. (Canada)	
			<i>Home Automation Solutions</i>	Vivint, Inc. (U.S.)

<sup>(1)</sup> In the U.S., mortgage loans are made by Rocket Mortgage, LLC and Spring EQ LLC. In Canada, representatives refer mortgage loans to Rocket Mortgage Canada ULC (a subsidiary of Rocket Companies, Inc.) and 8Twelve Mortgage Corp.

<sup>(2)</sup> In Canada, referrals only.

### Term Life Insurance

Through our three life insurance subsidiaries – Primerica Life, NBLIC and Primerica Life Canada – we offer term life insurance to clients in the United States, its territories, the District of Columbia and Canada. In 2021, the latest period for which data is available from LIMRA, we ranked as a leading provider of individual term life insurance in the United States.

We believe that term life insurance is generally a better alternative for middle-income clients than cash value life insurance. Term life insurance provides a guaranteed death benefit if the insured dies during the fixed coverage period of an in-force policy, thereby providing financial protection for his or her named beneficiaries in return for the periodic payment of premiums. Term insurance products, which are sometimes referred to as pure protection products, have no savings or investment features. By buying term life insurance rather than cash value life insurance, a policyholder pays a lower premium over the level term period and, as a result, may have funds available to invest for retirement and other needs. We also believe that a person's need for life insurance is inversely proportional to that person's need for retirement savings, a concept we refer to as the theory of decreasing responsibility. Young adults with children, new mortgages and other obligations need to buy higher amounts of insurance to protect their family from the loss of future income resulting from the death of a primary bread winner. With its lower premium over the level term period, term life insurance lets young families buy more coverage for their premium dollar when their needs are greatest and still have the ability to have funds for their retirement and other savings goals.

We design our term life insurance products to be easily understood by, and meet the needs of, our clients. Clients purchasing our term life insurance products generally seek stable, longer-term income protection products for themselves and their families. In response to this demand, we offer term life insurance products with initial level-premium coverage periods that range from 10 to 35 years and a wide range of coverage face amounts. Policies remain in force until expiration or until the policyholder ceases to make premium payments and terminates the policy. Our in-force term life insurance policies have level premiums for the stated term period. As such, the policyholder pays the same amount each year. After the initial policy term, the policyholder has the option to continue coverage by renewing or converting their contract. Both options result in higher premiums due to the policyholder's attained age.

In October 2022, we introduced our new generation of life insurance products. The Primerica PowerTerm ("PowerTerm") product is our rapid issue term life product that provides for face amounts of up to \$300,000 (local currency). PowerTerm allows an independent sales representative to submit an application via TurboApps, during which the Company accesses databases, including Medical Information Bureau ("MIB") data in the United States and Canada and prescription drug, clinical lab, motor vehicle, and criminal records in the United States, as part of the underwriting process. The Company uses this data and the client's responses to application questions to determine any additional underwriting requirements. Results of these processes are reported in real time to our underwriting system, which then determines whether or not we can rapidly issue a policy.

We also introduced our new Primerica PrecisionTerm ("PrecisionTerm") product, which is our traditionally underwritten term insurance product for face amounts in excess of \$150,000 (local currency). PrecisionTerm allows an independent sales representative to submit an application via TurboApps. The Company then utilizes the underwriting techniques described above combined with modeling to eliminate paramedical testing requirements for certain applicants. The remaining applicants are required to undergo traditional paramedical testing requirements to complete the underwriting process. Policies with face amounts less than or equal to \$300,000 and greater than \$150,000 may be issued as either PowerTerm or PrecisionTerm products depending on the underwriting method the insured prefers.

The average face amount of our in-force policies issued in 2022 was approximately \$260,100. The following table sets forth selected information regarding our term life insurance product portfolio:

	Year ended December 31,		
	2022	2021	2020
<b>Life insurance issued:</b>			
Number of policies issued	291,918	323,855	352,868
Face amount issued ( <i>in millions</i> )	\$ 103,822	\$ 108,521	\$ 109,436
	December 31,		
	2022	2021	2020
<b>Life insurance in force:</b>			
Number of policies in force	2,896,667	2,885,963	2,787,992
Face amount in force ( <i>in millions</i> )	\$ 916,808	\$ 903,404	\$ 858,818

**Pricing and Underwriting.** We believe that effective pricing and underwriting are significant drivers of the profitability of our life insurance business and we have established our pricing assumptions to be consistent with our underwriting practices. We set pricing assumptions for expected claims, lapses and expenses based on our experience and other factors, while also considering the competitive environment. These other factors include:

- expected changes from relevant experience due to changes in circumstances, such as (i) revised underwriting procedures affecting future mortality and reinsurance rates, (ii) new product features, and (iii) revised administrative programs affecting sales levels, expenses, and client continuation or termination of policies; and
- observed trends in experience that we expect to continue, such as general mortality changes in the general population and better or worse policy persistency (the period over which a policy remains in force) due to changing economic conditions.

Under our current underwriting guidelines, we individually assess each insurable adult applicant and place each applicant into one of ten risk classifications that has specific criteria based on current health, medical history, and other risk factors. We may decline an applicant's request for coverage if his or her health or activities create unacceptable risks. Our recently released PowerTerm and

PrecisionTerm products cover one adult life per policy, which is a change from our historical term life products which offered family coverage with multiple lives on an individual policy.

Independent sales representatives ask applicants a series of questions regarding the applicant’s medical history. We may also consider information about the applicant from third-party sources, such as the MIB, prescription drug databases, motor vehicle records and physician statements. If we believe that further information regarding an applicant’s medical history is necessary, we use a third-party provider and its trained personnel to contact the applicant by telephone to obtain a more detailed medical history. The report resulting from this process is electronically transmitted to us and is evaluated in our underwriting process. Paramedical requirements may also be required for applicants applying for PrecisionTerm.

To accommodate the significant volume of insurance business that we process, we and the independent sales force use specialized technology. We offer independent sales representatives an electronic life insurance application that supports our term life insurance products. Approximately 97% of the life insurance applications we received in 2022 were submitted electronically via TurboApps. Independent sales representatives may utilize video collaboration tools to assist with the completion of the life insurance application and submit completed applications through TurboApps. Our PowerTerm and PrecisionTerm electronic life insurance applications have technology enhancements and features to streamline the application process and deliver a superior experience by using industry-standard security, identity verification (in the U.S. only), precise and real-time underwriting to speed up processing time and reduce errors in submitted applications. New electronic disclosure delivery and digital client signatures through third-party technology, seamless banking information importation, and simplified policy language provide an improved client experience. Once an application is complete, the pertinent application data is uploaded to our life insurance administrative systems and is available to the client through our client portal.

**Claims Management.** Our insurance subsidiaries processed over 19,200 life insurance benefit claims in 2022 on policies underwritten by us and sold by independent sales representatives. During the COVID-19 pandemic, we experienced elevated claims due to the premature deaths of our insureds. Beginning in early 2022, we experienced fewer COVID-19 related claims than during the height of the pandemic. For additional information regarding the impact of COVID-19 on our claims expense, the related reinsurance effects, and policyholder persistency, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this report.

Claims fall into three categories: death, waiver of premium (applicable to disabled policyholders who purchased this benefit for which we agree to waive life insurance premiums during a qualifying disability), or terminal illness. The claim may be reported by an independent sales representative, a beneficiary or, in the case of qualifying disability or terminal illness, the policyholder. Following are the benefits paid by us for each category of claim:

	Year ended December 31,		
	2022	2021	2020
	<i>(In thousands)</i>		
Death	\$ 1,903,179	\$ 2,245,614	\$ 1,676,017
Waiver of premium	55,394	54,465	51,823
Terminal illness <sup>(1)</sup>	16,044	11,635	11,501

<sup>(1)</sup> We consider claims paid for terminal illness to be loans made to the policyholder that are repaid to us from the death benefit upon the death of the insured.

In the United States, after coverage has been in force for two years, we may not contest the policy for misrepresentations in the application. The contestability period for suicide of the insured is one to two years depending on state regulation. In Canada, we have a similar two-year contestability period, but we are permitted to contest insurance fraud at any time. As a matter of policy, we do not contest any coverage issued by us to replace the face amount of another insurance company’s individual coverage to the extent the replaced coverage would not be contestable by the replaced company. We believe this approach helps independent sales representatives sell replacement policies, as it reassures clients that claims made under their replacement policies are not more likely to be contested as to the face amount replaced. Through our claims administration system, we record, process and pay the appropriate benefit for any reported claim. Our claims system is used by our home office claims adjusters to order medical and investigative reports from third-party providers, calculate amounts due to the beneficiary (including interest), and report payments to the appropriate reinsurance providers.

Primerica Life and NBLIC regularly consult the Social Security Administration’s Death Master File in accordance with applicable state requirements. These processes help identify potential deceased insureds for whom claims have not been presented in the normal course of business. If unreported deaths are identified, Primerica Life and NBLIC attempt to determine if a valid claim exists, to locate beneficiaries, and to pay benefits accordingly.

**Reinsurance.** We use reinsurance primarily to reduce the volatility risk with respect to mortality. Since 1994, we have reinsured death benefits in the United States on a first dollar quota share yearly renewable term basis. Since 2012, we have reinsured death benefits in Canada on a first dollar quota share yearly renewable term basis. We pay premiums to each reinsurer based on rates in the applicable agreement.