Primerica, Inc.
Form 10-Q
May 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018

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	27-1204330
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Primerica Parkway	30099

Duluth, Georgia
(Address of principal executive offices) (ZIP Code)

(770) 381-1000

(Registrant's telephone number, including area code)

Not applicable.

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
Emerging growth company		

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	As of April 30, 2018

Common Stock, $0.01 Par Value 43,737,898 shares

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	(Unaudited) March 31, 2018	December 31, 2017
	(In thousands)	
Assets:		
Investments:		
Fixed-maturity securities available-for-sale, at fair value (amortized cost: $1,944,123 in 2018 and $1,877,326 in 2017)	$1,961,982	$1,927,842
Fixed-maturity security held-to-maturity, at amortized cost (fair value: $806,672 in 2018 and $779,472 in 2017)	796,450	737,150
Equity securities available-for-sale, at fair value (amortized cost: $0 in 2018 and $31,331 in 2017)	-	41,107
Equity securities, at fair value (historical cost: $38,894 in 2018 and $0 in 2017)	40,632	-
Trading securities, at fair value (amortized cost: $28,825 in 2018 and $6,172 in 2017)	28,781	6,228
Policy loans	32,532	32,816
Total investments	2,860,377	2,745,143
Cash and cash equivalents	190,585	279,962
Accrued investment income	18,129	16,665
Reinsurance recoverables	4,263,111	4,205,173
Deferred policy acquisition costs, net	1,998,985	1,951,892
Agent balances, due premiums and other receivables	277,797	229,522
Intangible assets, net (accumulated amortization: $79,484 in 2018 and $78,633 in 2017)	50,662	51,513
Income taxes	49,130	48,614
Other assets	364,256	359,347
Separate account assets	2,419,707	2,572,872
Total assets	$12,492,739	$12,460,703
Liabilities and Stockholders' Equity:		
Liabilities:		
Future policy benefits	$6,004,101	$5,954,524
Unearned premiums	468	486
Policy claims and other benefits payable	308,319	307,401
Other policyholders' funds	384,436	377,998
Notes payable	373,381	373,288
Surplus note	795,697	736,381
Income taxes	184,161	177,468
Other liabilities	506,535	451,398
Payable under securities lending	89,433	89,786
Separate account liabilities	2,419,707	2,572,872

Commitments and contingent liabilities (see Commitments and Contingent Liabilities note)		
Total liabilities	11,066,238	11,041,602
Stockholders' equity:		
Common stock ($0.01 par value; authorized 500,000 in 2018 and 2017; issued and outstanding 43,953 shares in 2018 and 44,251 shares in 2017)	440	443
Paid-in capital	-	-
Retained earnings	1,416,564	1,375,090
Accumulated other comprehensive income (loss), net of income tax:		
Unrealized foreign currency translation gains (losses)	(4,406)	3,995
Net unrealized investment gains (losses) on available-for-sale securities:		
Net unrealized investment gains not other-than-temporarily impaired	14,040	39,686
Net unrealized investment losses other-than-temporarily impaired	(137)	(113)
Total stockholders' equity	1,426,501	1,419,101
Total liabilities and stockholders' equity	$12,492,739	$12,460,703

See accompanying notes to condensed consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income – Unaudited

	Three months ended March 31, 2018	2017
	(In thousands, except per-share amounts)	
Revenues:		
Direct premiums	$656,087	$627,698
Ceded premiums	(394,249)	(399,769)
Net premiums	261,838	227,929
Commissions and fees	166,827	144,268
Investment income net of investment expenses	27,390	25,612
Interest expense on surplus note	(8,373)	(5,718)
Net investment income	19,017	19,894
Realized investment gains (losses), including other-than-temporary impairment losses	(1,656)	134
Other, net	13,897	12,939
Total revenues	459,923	405,164
Benefits and expenses:		
Benefits and claims	116,890	102,385
Amortization of deferred policy acquisition costs	60,165	51,850
Sales commissions	82,519	73,704
Insurance expenses	41,109	37,621
Insurance commissions	5,877	4,899
Interest expense	7,173	7,127
Other operating expenses	63,227	52,736
Total benefits and expenses	376,960	330,322
Income before income taxes	82,963	74,842
Income taxes	17,248	22,772
Net income	$65,715	$52,070
Earnings per share:		
Basic earnings per share	$1.46	$1.12
Diluted earnings per share	$1.46	$1.11
Weighted-average shares used in computing earnings per share:		
Basic	44,740	46,301
Diluted	44,855	46,374
Supplemental disclosures:		
Total impairment losses	$(49)	$(211)
Impairment losses recognized in other comprehensive income before income taxes	-	-

Net impairment losses recognized in earnings	(49)	(211)
Other net realized investment gains	338	345
Net gains (losses) recognized on equity securities	(1,945)	-
Net realized investment gains (losses), including other-than-temporary impairment losses	$(1,656)	$134
Dividends declared per share	$0.25	$0.19

See accompanying notes to condensed consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss) – Unaudited

	Three months ended March 31,	
	2018	2017
	(In thousands)	
Net income	$65,715	$52,070
Other comprehensive income (loss) before income taxes:		
Unrealized investment gains (losses) on available-for-sale securities:		
Change in unrealized holding gains (losses) on investment securities	(32,343)	7,281
Reclassification adjustment for realized investment (gains) losses included in net income	(316)	(68)
Foreign currency translation adjustments:		
Change in unrealized foreign currency translation gains (losses)	(8,401)	1,126
Total other comprehensive income (loss) before income taxes	(41,060)	8,339
Income tax expense (benefit) related to items of other comprehensive income (loss)	(6,916)	2,539
Other comprehensive income (loss), net of income taxes	(34,144)	5,800
Total comprehensive income	$31,571	$57,870

See accompanying notes to condensed consolidated financial statements.

PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity – Unaudited

	Three months ended March 31, 2018	2017
	(In thousands)	
Common stock:		
Balance, beginning of period	$443	$457
Repurchases of common stock	(5)	(5)
Net issuance of common stock	2	3
Balance, end of period	440	455
Paid-in capital:		
Balance, beginning of period	-	52,468
Share-based compensation	13,988	12,489
Net issuance of common stock	(2)	(3)
Repurchases of common stock	(13,986)	(36,348)
Balance, end of period	-	28,606
Retained earnings:		
Balance, beginning of period	1,375,090	1,138,851
Cumulative effect from the adoption of new accounting standards, net	24,610	-
Net income	65,715	52,070
Dividends	(11,278)	(8,882)
Repurchases of common stock	(37,573)	-
Balance, end of period	1,416,564	1,182,039
Accumulated other comprehensive income (loss):		
Balance, beginning of period	43,568	29,598
Cumulative effect from the adoption of new accounting standards, net	73	-
Change in foreign currency translation adjustment, net of income tax expense (benefit)	(8,401)	1,111
Change in net unrealized investment gains (losses) during the period, net of income taxes:		
Change in net unrealized investment gains (losses) not-other-than temporarily impaired	(25,719)	4,683
Change in net unrealized investment gains (losses) other-than-temporarily impaired	(24)	6
Balance, end of period	9,497	35,398
Total stockholders' equity	$1,426,501	$1,246,498

See accompanying notes to condensed consolidated financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows – Unaudited

	Three months ended March 31,	
	2018	2017
	(In thousands)	
Cash flows from operating activities:		
Net income	$65,715	$52,070
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Change in future policy benefits and other policy liabilities	69,052	71,124
Deferral of policy acquisition costs	(111,422)	(102,666)
Amortization of deferred policy acquisition costs	60,165	51,850
Change in income taxes	6,444	9,805
Realized investment (gains) losses, including other-than-temporary impairments	1,656	(134)
Accretion and amortization of investments	(126)	(340)
Depreciation and amortization	3,044	3,409
Change in reinsurance recoverables	(66,974)	(24,360)
Change in agent balances, due premiums and other receivables	3,752	(5,119)
Trading securities sold, matured, or called (acquired), net	(24,025)	(5,361)
Share-based compensation	11,502	9,743
Change in other operating assets and liabilities, net	27,616	(7,474)
Net cash provided by (used in) operating activities	46,399	52,547
Cash flows from investing activities:		
Fixed-maturity securities — sold	14,873	28,538
Fixed-maturity securities — matured or called	106,833	46,430
Available-for-sale equity securities — sold	-	9
Fixed-maturity securities — acquired	(191,642)	(105,464)
Available-for-sale equity securities — acquired	-	(120)
Equity securities — acquired	(69)	-
Purchases of property and equipment and other investing activities, net	(2,080)	(3,134)
Cash collateral received (returned) on loaned securities, net	(353)	19,680
Sales (purchases) of short-term investments using securities lending collateral, net	353	(19,680)
Net cash provided by (used in) investing activities	(72,085)	(33,741)
Cash flows from financing activities:		
Dividends paid	(11,278)	(8,882)
Common stock repurchased	(46,328)	(29,858)
Tax withholdings on share-based compensation	(5,236)	(6,495)
Net cash provided by (used in) financing activities	(62,842)	(45,235)
Effect of foreign exchange rate changes on cash	(849)	215
Change in cash and cash equivalents	(89,377)	(26,214)
Cash and cash equivalents, beginning of period	279,962	211,976
Cash and cash equivalents, end of period	$190,585	$185,762

See accompanying notes to condensed consolidated financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements — Unaudited

(1) Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies

Description of Business. Primerica, Inc. (the "Parent Company"), together with its subsidiaries (collectively, "we", "us" or the "Company"), is a leading distributor of financial products to middle-income households in the United States and Canada. We 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. Our primary subsidiaries include the following entities: Primerica Financial Services, Inc. ("PFS"), a general agency and marketing company; Primerica Life Insurance Company ("Primerica Life"), our principal life insurance company; Primerica Financial Services (Canada) Ltd., a holding company for our Canadian operations, which includes Primerica Life Insurance Company of Canada ("Primerica Life Canada") and PFSL Investments Canada Ltd. ("PFSL Investments Canada"); and PFS Investments Inc. ("PFS Investments"), an investment products company and broker-dealer. Primerica Life, domiciled in Tennessee, owns National Benefit Life Insurance Company ("NBLIC"), a New York life insurance company. Peach Re, Inc. ("Peach Re") and Vidalia Re, Inc. (“Vidalia Re”) are special purpose financial captive insurance companies and wholly owned subsidiaries of Primerica Life. Peach Re and Vidalia Re have each entered into separate coinsurance agreements with Primerica Life whereby Primerica Life has ceded certain level-premium term life insurance policies to Peach Re and Vidalia Re (respectively, the “Peach Re Coinsurance Agreement” and the “Vidalia Re Coinsurance Agreement”).

Basis of Presentation. We prepare our financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). These principles are established primarily by the Financial Accounting Standards Board ("FASB"). The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect financial statement balances, revenues and expenses and cash flows, as well as the disclosure of contingent assets and liabilities. Management considers available facts and knowledge of existing circumstances when establishing the estimates included in our financial statements.

The accompanying unaudited condensed consolidated financial statements contain all adjustments, generally consisting of normal recurring accruals, which are necessary to fairly present the balance sheets as of March 31, 2018 and December 31, 2017 and the statements of income, comprehensive income (loss), stockholders' equity and cash flows for the three months ended March 31, 2018 and 2017. Results of operations for interim periods are not necessarily indicative of results for the entire year or of the results to be expected in future periods.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are sufficient to make the information not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto that are included in our Annual Report on Form 10-K for the year ended December 31, 2017 ("2017 Annual Report").

Use of Estimates. The most significant items that involve a greater degree of accounting estimates and actuarial determinations subject to change in the future are the valuation of investments, deferred policy acquisition costs (“DAC”), future policy benefit reserves and corresponding amounts recoverable from reinsurers, and income taxes. Estimates for these and other items are subject to change and are reassessed by management in accordance with U.S. GAAP. Actual results could differ from those estimates.

Consolidation. The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and those entities required to be consolidated under applicable accounting standards. All material intercompany profits, transactions, and balances among the consolidated entities have been eliminated.

Reclassifications. Certain reclassifications have been made to prior-period amounts to conform to current-period reporting classifications. These reclassifications had no impact on net income or total stockholders' equity.

Significant Accounting Policies. All significant accounting policies remain unchanged from the 2017 Annual Report unless otherwise described.

New Accounting Principles. In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). ASU 2014-09 clarifies the principles for recognizing revenue by establishing the core principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue that is recognized. Insurance contracts are specifically excluded from the scope of ASU 2014-09 and therefore revenue from our insurance product lines will not be affected by the new standard. We adopted the amendments in ASU 2014-09 during the first quarter of 2018 using the modified retrospective method. The cumulative effect of adopting ASU 2014-09 resulted in an increase to retained earnings of approximately $24.7 million or 1.7% on January 1, 2018. The adjustment recognized upon the adoption of ASU 2014-09 primarily consisted of recognizing the after tax net impact of renewal commissions we anticipate collecting in future periods less the portion we pay to our agents for the sale of prepaid legal service subscriptions and the referral of auto and homeowners’ insurance policies in our Corporate and Other Distributed

Products segment made prior to January 1, 2018. Specifically, the cumulative effect adjustment recognized as of January 1, 2018 increased the following balance sheet line items:

	January 1, 2018 (In thousands)
Agent balances, due premiums and other receivables	$ 45,730
Other liabilities	14,400
Income taxes (Liabilities)	6,647
Retained earnings	24,683

After the initial product sale or referral, we earn commissions from product providers for our distribution services as clients pay ongoing subscription fees for prepaid legal service subscriptions or premiums on auto and homeowners' insurance policies purchased through our referral channel. Prior to the adoption of ASU 2014-09, we recognized commission revenue upon receipt of the commission revenue from the product providers, which is the point in time when revenue becomes fixed and determinable, as the commissions earned are dependent on our clients' future renewal activity. After the adoption of ASU 2014-09, we recognize commission revenue equal to the expected value of the commissions we will earn over the life of the subscription or the referred policy when that initial subscription sale or policy referral occurs, which coincides with when we satisfy our performance obligation to the product provider. The application of ASU 2014-09 did not result in any material changes in the line items within our statement of income, comprehensive income (loss), or statement of cash flows during the three months ended March 31, 2018 as compared with guidance in effect prior to the adoption of ASU 2014-09, primarily due to the immaterial amount of revenue associated with these product distributions as well as the offsetting effect of replacing revenue for commissions received from existing sales prior to adopting ASU 2014-09 with revenue for future estimated commissions from new sales subsequent to adopting ASU 2014-09. Likewise, the application of ASU 2014-09 as compared with guidance in effect prior to the adoption of ASU 2014-09 did not have a material effect on the line items within our balance sheet or statement of stockholders' equity between January 1, 2018 and March 31, 2018. In addition, no changes in the timing or measurement of revenue recognition have been made in any of our other product lines as discussed further in Note 13 (Revenue from Contracts with Customers).

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, Financial Instruments—Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 intends to enhance the reporting model for financial instruments and addresses certain aspects of recognition, measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. We adopted the amendments in ASU 2016-01 during the first quarter of 2018, which resulted in a cumulative-effect adjustment to retained earnings of approximately $7.8 million, equal to the after tax amount of the net unrealized gains and losses on investments in equity securities as of January 1, 2018. Prior to the adoption of ASU 2016-01, the change in fair value (except for other-than-temporary impairment) on available-for-sale equity securities was recognized in other comprehensive income (loss). Subsequent to the adoption of ASU 2016-01, the change in fair value on all investments in equity securities is recognized in net income. For the three months ended March 31, 2018, we recognized approximately $1.9 million of pre-tax losses in realized investment gains (losses) for the change in fair value of our investments in equity securities that would have been recorded as other comprehensive income (loss) prior to the adoption of ASU 2016-01. Additionally, we no longer maintain the classifications of available-for-sale or trading for equity securities but instead present all equity security investments held by the Company as equity securities in the balance sheet due to the adoption of ASU 2016-01. As a result, equity securities with a carrying value of approximately $1.4 million previously included within the trading securities classification as of December 31, 2017 are presented as equity securities in the balance sheet subsequent to the adoption of ASU

2016-01.

In February 2018, the FASB issued Accounting Standards Update No. 2018-02, Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (“ASU 2018-02”). ASU 2018-02 allows for the reclassification of stranded tax effects on items resulting from the Tax Cuts and Jobs Act of 2017 (the “Tax Reform Act”) from accumulated other comprehensive income (loss) to retained earnings. ASU 2018-02 is effective for all entities in fiscal years beginning after December 15, 2018, and interim periods within those fiscal years with early adoption permitted. We chose to adopt the amendments in ASU 2018-02 during the first quarter of 2018 and recorded a decrease of approximately $7.8 million to retained earnings with a corresponding increase to accumulated other comprehensive income (loss) on January 1, 2018 to reclassify the stranded tax effects from the Tax Reform Act.

Future Application of Accounting Standards. Recent accounting guidance not discussed here or in the 2017 Annual Report is not applicable, is immaterial to our financial statements, or did not or is not expected to have a material impact on our business. For more information on recently-issued accounting guidance that has not yet been adopted, see Note 1 (Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies) to our consolidated financial statements within our 2017 Annual Report.

Income Taxes. On December 22, 2017, the Tax Reform Act was enacted in the United States, which includes a broad range of tax reforms affecting businesses, including corporate tax rates, business deductions, and international tax provisions. Under U.S. GAAP, the effects of new legislation are recognized upon enactment, which, for federal legislation, is the date the president signs a bill into law. Accordingly, we recognized the tax effects of the Tax Reform Act as of December 31, 2017. Amounts recognized as of December 31, 2017 represent reasonable estimates based on obtaining, preparing, and analyzing the information necessary to account for the tax effects of the Tax Reform Act under Accounting Standards Codification Topic 740, Income Taxes ("ASC 740"). However, the breadth and complexity of reforms included in the Tax Reform Act combined with the lack of precedent in its application may result in changes to the tax effects recognized when interpretations of the legislation are finalized, including the Company's application of any additional guidance that may be issued by U.S. tax authorities. The SEC staff issued Staff Accounting Bulletin No. 118, which allows companies to recognize provisional amounts for the tax effects resulting from the enactment of the Tax Reform Act for which the accounting under ASC 740 is incomplete but a reasonable estimate can be determined. Adjustments to these provisional amounts, if any, are to be completed within a measurement period not to exceed one year.

During the three months ended March 31, 2018, we continued the effort to finalize our analysis of the incomplete areas and make any necessary adjustments to the provisional amounts recognized as of December 31, 2017. We identified the following updates to the areas discussed in the 2017 Annual Report that remain incomplete and subject to adjustment when the necessary information is available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting:

- The Company has made a policy election to account for estimated taxes in regard to global intangible low-taxed income under the provisions of the Tax Reform Act by recognizing such taxes as incurred. We recognized approximately $1.0 million of income tax expense for the estimated taxes incurred for global intangible low-taxed income during the three months ended March 31, 2018.
- We refined the provisional amount recognized for the one-time mandatory deemed repatriation of Canadian earnings required by the Tax Reform Act, which resulted in a $1.8 million reduction to income tax expense during the three months ended March 31, 2018. However, the provisional amount could be subject to further change upon the final completion of the Company's total post-1986 foreign earnings and profits calculation and foreign tax credit determination as of the dates specified in the Tax Reform Act.
- No changes have been made to the provisional amount recognized as of December 31, 2017 for the timing difference for the haircut on deductibility of future policy benefit reserves prescribed in the Tax Reform Act. The provisional amount could be subject to change upon the Company's final computation as it relates to insurance contracts identified with cash value features. Adjustments to the provisional amount are not expected to impact the Company's effective income tax rate or net deferred tax liability position but could impact the timing of when such temporary differences are eliminated.

We expect to finalize our analysis of the incomplete areas and make any necessary adjustments during the second half of 2018.

The Tax Reform Act reduced the U.S. federal statutory rate from 35% to 21% effective January 1, 2018 and had a significant impact on our effective tax rate during the three months ended March 31, 2018 as compared with the three months ended March 31, 2017. We have presented the primary components impacting our effective tax rate as follows:

	Three months ended March 31,	
	2018	2017
U.S. federal statutory rate	21.0%	35.0%
Difference between foreign statutory rate and U.S. statutory rate	1.4 %	(1.9)%
Excess tax benefits recognized on share-based compensation	(1.9)%	(4.4)%
Tax on global intangible low-taxed income under the provisions of the Tax Reform Act	1.2 %	— %
Updates to the provisional amount recognized for the one-time	(2.1)%	— %

mandatory deemed repatriation of Canadian earnings required by the Tax Reform Act		
Other	1.2 %	1.7 %
Effective tax rate	20.8%	30.4%

Subsequent Events. The Company has evaluated subsequent events for recognition and disclosure for occurrences and transactions after the date of the unaudited condensed consolidated financial statements dated as of March 31, 2018.

(2) Segment and Geographical Information

Segments. We have two primary operating segments — Term Life Insurance and Investment and Savings Products. We also have a Corporate and Other Distributed Products segment.

Notable information included in profit or loss by segment was as follows:

	Three months ended March 31, 2018	2017
	(In thousands)	
Revenues:		
Term life insurance segment	$270,309	$234,051
Investment and savings products segment	162,041	140,407
Corporate and other distributed products segment	27,573	30,706
Total revenues	$459,923	$405,164
Net investment income:		
Term life insurance segment	$3,089	$2,303
Investment and savings products segment	-	-
Corporate and other distributed products segment	15,928	17,591
Total net investment income	$19,017	$19,894
Amortization of DAC:		
Term life insurance segment	$56,673	$50,133
Investment and savings products segment	3,442	1,734
Corporate and other distributed products segment	50	(17)
Total amortization of DAC	$60,165	$51,850
Non-cash share-based compensation expense:		
Term life insurance segment	$2,174	$1,775
Investment and savings products segment	1,193	1,180
Corporate and other distributed products segment	8,135	6,788
Total non-cash share-based compensation expense	$11,502	$9,743
Income (loss) before income taxes:		
Term life insurance segment	$59,621	$49,022
Investment and savings products segment	39,984	37,119
Corporate and other distributed products segment	(16,642)	(11,299)
Total income before income taxes	$82,963	$74,842

Total assets by segment were as follows:

	March 31, 2018	December 31, 2017
	(In thousands)	
Assets:		
Term life insurance segment	$6,307,019	$6,205,837
Investment and savings products segment [1]	2,539,187	2,684,717
Corporate and other distributed products segment	3,646,533	3,570,149
Total assets	$12,492,739	$12,460,703

[1] The Investment and Savings Products segment includes assets held in separate accounts. Excluding separate accounts, the Investment and Savings Products segment assets were approximately $119.6 million and $112.0 million

as of March 31, 2018 and December 31, 2017, respectively.

Geographical Information. Results of operations by country and long-lived assets, primarily tangible assets reported in other assets in our unaudited condensed consolidated balance sheets, were as follows:

	Three months ended March 31,	
	2018	2017
	(In thousands)	
Revenues by country:		
United States	$383,796	$339,794
Canada	76,127	65,370
Total revenues	$459,923	$405,164
Income before income taxes by country:		
United States	$63,214	$58,034
Canada	19,749	16,808
Total income before income taxes	$82,963	$74,842

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	March 31, 2018	December 31, 2017
	(In thousands)	
Long-lived assets by country:		
United States	$27,009	$ 27,443
Canada	607	656
Total long-lived assets	$27,616	$ 28,099

(3) Investments

Available-for-sale Securities. The period-end amortized cost, gross unrealized gains and losses, and fair value of available-for-sale securities were as follows:

	March 31, 2018			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
Securities available-for-sale, carried at fair value:				
Fixed-maturity securities:				
U.S. government and agencies	$12,656	$ 203	$ (81)	$12,778
Foreign government	145,207	4,591	(968)	148,830
States and political subdivisions	52,951	1,495	(278)	54,168
Corporates	1,376,361	24,957	(12,792)	1,388,526
Residential mortgage-backed securities	134,287	2,773	(1,728)	135,332
Commercial mortgage-backed securities	137,615	1,907	(1,926)	137,596
Other asset-backed securities	85,046	303	(597)	84,752
Total available-for-sale securities[(1)]	$1,944,123	$ 36,229	$ (18,370)	$1,961,982

[(1)] Includes approximately $0.2 million of other-than-temporary impairment (“OTTI”) losses related to corporates and mortgage- and asset-backed securities recognized in accumulated other comprehensive income.

	December 31, 2017			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(In thousands)			
Securities available-for-sale, carried at fair value:				
Fixed-maturity securities:				
U.S. government and agencies	$11,577	$ 283	$ (47)	$11,813
Foreign government	139,486	5,651	(648)	144,489
States and political subdivisions	54,714	1,554	(141)	56,127
Corporates	1,337,321	42,616	(3,655)	1,376,282
Residential mortgage-backed securities	119,672	3,583	(297)	122,958
Commercial mortgage-backed securities	134,003	2,299	(910)	135,392
Other asset-backed securities	80,553	452	(224)	80,781
Total fixed-maturity securities[(1)]	1,877,326	56,438	(5,922)	1,927,842

Equity securities	31,331	9,796	(20)	41,107
Total fixed-maturity and equity securities	$ 1,908,657	$ 66,234	$ (5,942)	$ 1,968,949

(1) Includes approximately $0.2 million of OTTI losses related to corporates and mortgage- and asset-backed securities recognized in accumulated other comprehensive income.

All of our available-for-sale mortgage- and asset-backed securities represent variable interests in variable interest entities ("VIEs"). We are not the primary beneficiary of these VIEs because we do not have the power to direct the activities that most significantly impact the entities’ economic performance. The maximum exposure to loss as a result of our involvement in these VIEs equals the carrying value of the securities.

The scheduled maturity distribution of the available-for-sale fixed-maturity portfolio at March 31, 2018 was as follows:

	Amortized cost	Fair value
	(In thousands)	
Due in one year or less	$ 170,007	$ 171,823
Due after one year through five years	840,614	851,357
Due after five years through 10 years	528,005	528,853
Due after 10 years	48,549	52,269
	1,587,175	1,604,302
Mortgage- and asset-backed securities	356,948	357,680
Total fixed-maturity securities	$ 1,944,123	$ 1,961,982

Expected maturities may differ from scheduled contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

Unrealized Gains and Losses on Investments. The net effect on stockholders' equity of unrealized gains and losses on available-for-sale investments was as follows:

	March 31, 2018	December 31, 2017
	(In thousands)	
Net unrealized investment gains on available-for-sale securities including OTTI:		
Available-for-sale securities	$ 17,859	$ 60,292 (1)
OTTI	173	174
Net unrealized investment gains on available-for-sale securities excluding OTTI	18,032	60,466
Deferred income taxes	(3,992)	(20,780)
Net unrealized investment gains on available-for-sale securities excluding OTTI, net of tax	$ 14,040	$ 39,686

(1) Includes approximately $9.8 million of net unrealized gains for equity securities recognized in accumulated other comprehensive income (loss) prior to the adoption of ASU 2016-01.

Trading Securities. The amortized cost and fair value of the securities classified as trading securities were as follows:

March 31, 2018		December 31, 2017
Amortized cost	Fair value	