Primerica, Inc.
Form 10-Q
November 08, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2011
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.)
3120 Breckinridge Boulevard Duluth, Georgia (Address of principal executive offices)	30099 (ZIP Code)

(770) 381-1000
(Registrant’s telephone number, including area code)
(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. ý 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). ý Yes ¨ No

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	ý (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes ý 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 November 4, 2011
Common Stock, $.01 Par Value	73,797,103 shares

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.
PRIMERICA, INC. AND SUBSIDIARIES
Condensed Balance Sheets

	September 30, 2011 (unaudited)	December 31, 2010
	(In thousands, except per-share amounts)	
Assets		
Investments:		
Fixed-maturity securities available for sale, at fair value (amortized cost: $1,949,100 in 2011 and $1,929,757 in 2010)	$2,098,065	$2,081,361
Equity securities available for sale, at fair value (cost: $18,396 in 2011 and $17,394 in 2010)	22,102	23,213
Trading securities, at fair value (cost: $19,958 in 2011 and $22,619 in 2010)	19,685	22,767
Policy loans	25,979	26,229
Other invested assets	14	14
Total investments	2,165,845	2,153,584
Cash and cash equivalents	154,027	126,038
Accrued investment income	24,372	22,328
Due from reinsurers	3,819,738	3,731,634
Deferred policy acquisition costs, net	1,004,545	853,211
Premiums and other receivables	181,190	168,026
Intangible assets	72,778	75,357
Other assets	308,307	307,342
Separate account assets	2,276,705	2,446,786
Total assets	$10,007,507	$9,884,306
Liabilities and Stockholders' Equity		
Liabilities:		
Future policy benefits	$4,557,535	$4,409,183
Unearned premiums	6,477	5,563
Policy claims and other benefits payable	242,363	229,895
Other policyholders' funds	340,986	357,253
Note payable	300,000	300,000
Income taxes	136,028	136,226
Other liabilities	390,297	386,182
Payable under securities lending	185,483	181,726
Separate account liabilities	2,276,705	2,446,786
Total liabilities	8,435,874	8,452,814
Stockholders' equity:		
Common stock of $.01 par value. Authorized 500,000 in 2011 and 2010 and issued 73,740 shares in 2011 and 72,843 shares in 2010	737	728
Paid-in capital	898,945	883,168
Retained earnings	526,847	395,057
Accumulated other comprehensive income, net of income tax:		
Unrealized foreign currency translation gains	48,210	56,492
Net unrealized investment gains (losses):		

Net unrealized investment gains not other-than-temporarily impaired	99,257	98,322
Net unrealized investment losses other-than-temporarily impaired	(2,363)	(2,275)
Total stockholders’ equity	1,571,633	1,431,492
Total liabilities and stockholders’ equity	$10,007,507	$9,884,306

See accompanying notes to condensed financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES
Condensed Statements of Income - Unaudited

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010	
	(In thousands, except per-share amounts)				
Revenues:					
Direct premiums	$560,739	$547,444	$1,673,689	$1,632,744	
Ceded premiums	(425,643)	(437,054)	(1,283,445)	(1,032,386)	
Net premiums	135,096	110,390	390,244	600,358	
Commissions and fees	100,883	89,737	315,697	274,652	
Net investment income	27,103	27,855	82,958	138,423	
Realized investment (losses) gains, including other-than-temporary impairment losses	(178)	1,015	2,184	32,445	
Other, net	12,887	12,239	36,155	36,598	
Total revenues	275,791	241,236	827,238	1,082,476	
Benefits and expenses:					
Benefits and claims	64,101	49,811	179,008	265,670	
Amortization of deferred policy acquisition costs	30,532	23,844	83,473	138,499	
Sales commissions	46,971	42,264	147,490	129,657	
Insurance expenses	15,465	11,999	44,171	59,616	
Insurance commissions	4,909	5,099	14,128	15,701	
Interest expense	7,000	6,968	20,995	13,896	
Other operating expenses	42,962	39,372	124,816	140,817	
Total benefits and expenses	211,940	179,357	614,081	763,856	
Income before income taxes	63,851	61,879	213,157	318,620	
Income taxes	23,250	22,284	76,066	113,731	
Net income	$40,601	$39,595	$137,091	$204,889	
Earnings per share:					
Basic	$0.54	$0.53	$1.81	$2.73	(1)
Diluted	$0.53	$0.52	$1.79	$2.70	(1)
Weighted-average shares used in computing earnings per share:					
Basic	73,658	72,259	73,265	72,052	(1)
Diluted	74,199	72,919	74,095	72,833	(1)

(1) Pro forma basis using weighted-average shares, including the shares issued or issuable upon lapse of restrictions following our April 1, 2010 corporate reorganization as though they had been issued and outstanding on January 1, 2010.

	Three months 2011	Three months 2010	Nine months 2011	Nine months 2010
Supplemental disclosures:				
Total impairment losses	$(1,117)	$(268)	$(1,450)	$(12,637)
Impairment losses recognized in other comprehensive income before income taxes	136	—	136	553
Net impairment losses recognized in earnings	(981)	(268)	(1,314)	(12,084)
Other net realized investment gains	803	1,283	3,498	44,529
Realized investment (losses) gains, including other-than-temporary impairment losses	$(178)	$1,015	$2,184	$32,445

See accompanying notes to condensed financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES
Condensed Statements of Stockholders' Equity - Unaudited

	Nine months ended September 30,	
	2011	2010
	(In thousands, except per-share amounts)	
Common stock:		
Balance, beginning of period	$728	$—
Net issuance of common stock	9	727
Balance, end of period	737	727
Paid-in capital:		
Balance, beginning of period	883,168	1,124,096
Share-based compensation	19,302	39,376
Net issuance of common stock	(9)	(727)
Net capital contributed (to) from Citi	(3,516)	172,806
Issuance of warrants to Citi	—	18,464
Issuance of note payable to Citi	—	(300,000)
Tax election under Section 338(h)(10) of the Internal Revenue Code	—	(171,339)
Balance, end of period	898,945	882,676
Retained earnings:		
Balance, beginning of period	395,057	3,648,801
Net income	137,091	204,889
Dividends to stockholders ($0.07 per share in 2011 and $0.01 in 2010)	(5,301)	(750)
Distributions of warrants to Citi	—	(18,464)
Distributions to Citi	—	(3,491,556)
Balance, end of period	526,847	342,920
Accumulated other comprehensive income:		
Balance, beginning of period	152,539	170,876
Change in foreign currency translation adjustment, net of income tax expense of $0 in 2011 and $4,630 in 2010	(8,282)	11,034
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, net of income tax expense (benefit) of $710 in 2011 and $(12,510) in 2010	935	(25,156)
Change in net unrealized investment gains (losses) other-than-temporarily impaired, net of income tax expense of $(48) in 2011 and $6,973 in 2010	(88)	13,237
Balance, end of period	145,104	169,991
Total stockholders' equity	$1,571,633	$1,396,314

See accompanying notes to condensed financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES
Condensed Statements of Comprehensive Income - Unaudited

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	(In thousands)			
Net income	$40,601	$39,595	$137,091	$204,889
Other comprehensive (loss) income before income taxes:				
Unrealized investment gains (losses):				
Change in unrealized gains on investment securities	(9,839)	39,371	2,604	147,239
Reclassification adjustment for realized investment gains included in net income	(125)	(911)	(2,419)	(32,009)
Reclassification adjustment for unrealized gains on investment securities transferred	—	—	—	(132,688)
Foreign currency translation adjustments:				
Change in unrealized foreign currency translation gains	(12,106)	3,640	(8,282)	15,665
Total other comprehensive (loss) income before income taxes	(22,070)	42,100	(8,097)	(1,793)
Income tax (benefit) expense related to items of other comprehensive (loss) income	(3,486)	14,196	(662)	(908)
Other comprehensive (loss) income, net of income taxes	(18,584)	27,904	(7,435)	(885)
Total comprehensive income	$22,017	$67,499	$129,656	$204,004

See accompanying notes to condensed financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES
Condensed Statements of Cash Flows - Unaudited

	Nine months ended September 30, 2011	2010
	(In thousands)	
Cash flows from operating activities:		
Net income	$137,091	$204,889
Adjustments to reconcile net income to cash provided by operating activities:		
Change in future policy benefits and other policy liabilities	63,336	72,142
Deferral of policy acquisition costs	(232,831)	(228,620)
Amortization of deferred policy acquisition costs	83,473	138,499
Change in income taxes	523	(22,795)
Realized investment gains, including other-than-temporary impairments	(2,184)	(32,445)
Accretion and amortization of investments	(2,330)	(1,735)
Depreciation and amortization	7,856	7,411
Change in due from reinsurers	(970)	(26,617)
Change in due to/from affiliates	—	(44,012)
Change in premiums and other receivables	(13,882)	(33,010)
Trading securities acquired, net	(6,388)	(7,030)
Share-based compensation	7,724	30,214
Other, net	(33,988)	(35,405)
Net cash provided by operating activities	7,430	21,486
Cash flows from investing activities:		
Available-for-sale investments sold, matured or called:		
Fixed-maturity securities - sold	53,445	979,710
Fixed-maturity securities - matured or called	299,112	414,262
Equity securities	3,026	35,471
Available-for-sale investments acquired:		
Fixed-maturity securities	(329,145)	(702,460)
Equity securities	(110)	(5,525)
Change in policy loans	250	826
Purchases of furniture and equipment, net	(1,634)	(6,577)
Cash collateral received (returned) on loaned securities, net	3,757	(301,336)
(Purchases) sales of short-term investments using securities lending collateral, net	(3,757)	301,336
Net cash provided by investing activities	24,944	715,707
Cash flows from financing activities:		
Dividends to stockholders	(5,301)	(750)
Net distributions to Citi	—	(1,288,391)
Net cash used in financing activities	(5,301)	(1,289,141)
Effect of foreign exchange rate changes on cash	916	24,185
Change in cash and cash equivalents	27,989	(527,763)
Cash and cash equivalents, beginning of period	126,038	602,522
Cash and cash equivalents, end of period	$154,027	$74,759

See accompanying notes to condensed financial statements.

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PRIMERICA, INC. AND SUBSIDIARIES
Notes to Condensed Financial Statements—Unaudited
(1) Summary of Significant Accounting Policies
Description of Business. Primerica, Inc. (the Parent Company) together with its subsidiaries (collectively, we 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 and other financial products, which we distribute primarily on behalf of third parties. Our primary subsidiaries include the following entities: Primerica Financial Services, Inc., 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 PFS Investments, Inc., an investment products company and broker-dealer. Primerica Life, domiciled in Massachusetts, owns National Benefit Life Insurance Company (NBLIC), a New York life insurance company. Each of these entities was indirectly wholly owned by Citigroup Inc. (together with its non-Primerica affiliates, Citi) through March 31, 2010.
On March 31, 2010, Primerica Life, Primerica Life Canada and NBLIC entered into significant coinsurance transactions with Prime Reinsurance Company, Inc. (Prime Re) and two affiliates of Citi (collectively, the Citi reinsurers). In April 2010, Citi transferred the legal entities that comprise our business to us and we completed a series of transactions including the distribution of Prime Re to Citi and an initial public offering of our common stock by Citi pursuant to the Securities Act of 1933 (the Offering).
Basis of Presentation. We prepare our financial statements in accordance with U.S. generally accepted accounting principles (GAAP). These principles are established primarily by the Financial Accounting Standards Board (FASB). The preparation of financial statements in conformity with 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 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 income taxes. Estimates for these and other items are subject to change and are reassessed by management in accordance with GAAP. Actual results could differ from those estimates.
The accompanying unaudited condensed consolidated and combined financial statements include the accounts of the Company and those entities required to be consolidated or combined under applicable accounting standards. All material intercompany profits, transactions, and balances among the consolidated or combined entities have been eliminated. Financial statements for dates subsequent to or periods beginning after March 31, 2010 have been consolidated while financial statements for periods ended before April 1, 2010 have been combined. These financial statements include those assets, liabilities, revenues, and expenses directly attributable to the Company’s operations.

The accompanying unaudited condensed consolidated and combined financial statements contain all adjustments, consisting of normal recurring accruals, which are necessary to fairly present the balance sheets as of September 30, 2011 and December 31, 2010, and the statements of income and comprehensive income for the three and nine months ended September 30, 2011 and 2010, and the statements of stockholders' equity and cash flows for the nine months ended September 30, 2011 and 2010. Results of operations for interim periods are not necessarily indicative of results for the entire year and, due to the transactions effected in connection with the Offering, are not necessarily indicative of the results to be expected in future periods.
These unaudited condensed financial statements have been prepared pursuant to the rules and the regulations of the Securities and Exchange Commission (the SEC). Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. These condensed financial statements should be read in conjunction with the consolidated and combined financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended

December 31, 2010 (the 2010 Annual Report).
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.

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Significant Accounting Policies. All significant accounting policies remain unchanged from the 2010 Annual Report.
Future Application of Accounting Principles
Accounting for Deferred Policy Acquisition Costs. In October 2010, the FASB issued ASU 2010-26, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (ASU 2010-26). The update creates a more limited definition than the current guidance, which defines deferred policy acquisition costs as those that vary with, and primarily relate to, the acquisition of insurance contracts. Under the revised definition, deferred acquisition costs include incremental direct costs of successful contract acquisitions that result directly from and are essential to the contract transaction(s) and would not have been incurred had the contract transaction(s) not occurred. All other acquisition-related costs - including unsuccessful acquisition and renewal efforts - will be charged to expense as incurred. Administrative costs, rent, depreciation, occupancy, equipment, and all other general overhead costs are considered indirect costs and will be charged to expense as incurred. We anticipate retrospectively adopting ASU 2010-26 for our fiscal year beginning January 1, 2012.

Through the nine months ended September 30, 2011, we have deferred approximately $239.7 million of acquisition costs. Approximately 81% of that amount, or $193.3 million, relates to agent compensation. Following adoption of this update, we currently do not anticipate a significant change in the amount of agent compensation that we will defer. However, we are still analyzing the impact of this update on several past agent compensation programs, most of which are inactive. If any of these past programs do not meet the new deferral criteria, we will be required to reverse any remaining past deferrals by recognizing the related expenses in the prior periods in which they were incurred.

Through the nine months ended September 30, 2011, we have deferred approximately $8.9 million of acquisition costs related to sales representative meetings and incentive trips. We believe that these costs will not meet the criteria for deferral following implementation of the update. Therefore, we expect to reverse any remaining prior deferrals and expense future costs in the periods incurred.

Through the nine months ended September 30, 2011, we have deferred approximately $37.5 million of acquisition costs primarily related to underwriting and processing costs. We are still analyzing which of these costs directly relate to successful policy acquisitions. As such, we are currently unable to quantify the retrospective and prospective impact of this update on these costs.

We also continue to analyze the extent to which this update will reduce DAC and stockholders' equity, as well as the corresponding reduction in amortization of DAC resulting from a retrospective reduction of prior period deferrals. While we currently are unable to quantify the comprehensive impact of adopting this update, we expect that it will have a material adverse effect on our results of operations, as we will be required to accelerate the recognition of certain expenses associated with acquiring life insurance business. The update will have no impact on cash flows or required capital. The update will only impact the timing of expense recognition for certain acquisition costs.
For additional information on new accounting pronouncements and their impact, if any, on our financial position or results of operations, see Note 1 of the notes to the consolidated and combined financial statements in our 2010 Annual Report.
(2) Corporate Reorganization
We were incorporated in Delaware in 2009 by Citi to serve as a holding company for the life insurance and financial product distribution businesses that we have operated for more than 30 years. At such time, we issued 100 shares of common stock to Citi. These businesses, which prior to April 1, 2010 were wholly owned indirect subsidiaries of Citi, were transferred to us on April 1, 2010. In conjunction with our reorganization, we issued to a wholly owned subsidiary of Citi (i) 74,999,900 shares of our common stock (of which 24,564,000 shares of common stock were subsequently sold by Citi in the Offering; 16,412,440 shares of common stock were subsequently sold by Citi in April 2010 to certain private equity funds managed by Warburg Pincus LLC (Warburg Pincus) (the private sale); and 5,021,412 shares of common stock were immediately contributed back to us for equity awards granted to our employees and sales force leaders in connection with the Offering), (ii) warrants to purchase from us an aggregate of

4,103,110 shares of our common stock (which were subsequently transferred by Citi to Warburg Pincus pursuant to the private sale), and (iii) a $300.0 million note payable due on March 31, 2015 bearing interest at an annual rate of 5.5% (the Citi note). Prior to our corporate reorganization, we had no material assets or liabilities. Upon completion of the corporate reorganization, we became a holding company with our primary asset being the capital stock of our operating subsidiaries and our primary liability being the Citi note.

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Reinsurance Transactions

As part of the corporate reorganization and prior to completion of the Offering, we formed a new subsidiary, Prime Re, to which we made an initial capital contribution. On March 31, 2010, we entered into a series of coinsurance agreements with the Citi reinsurers. Under these agreements, we ceded between 80% and 90% of the risks and rewards of our term life insurance policies in force at year-end 2009. Because these agreements were part of a business reorganization among entities under common control, they did not generate any deferred gain or loss upon their execution. Concurrent with signing these agreements, we transferred the corresponding account balances in respect of the coinsured policies along with the assets to support the statutory liabilities assumed by the Citi reinsurers. On April 1, 2010, as part of our corporate reorganization, we transferred all of the issued and outstanding capital stock of Prime Re to Citi. Each of the transferred account balances, including the invested assets and the distribution of Prime Re, were transferred at book value with no gain or loss recorded in net income.

Three of the Citi coinsurance agreements satisfy GAAP risk transfer rules. Under these agreements, we ceded between 80% and 90% of our term life future policy benefit reserves, and we transferred a corresponding amount of assets to the Citi reinsurers. These transactions did not impact our future policy benefit reserves. As such, we have recorded an asset for the same amount of risk transferred in due from reinsurers. We also reduced DAC by a corresponding amount, which reduces future amortization expenses. In addition, we are transferring between 80% and 90% of all future premiums and benefits and claims associated with these policies to the corresponding reinsurance entities. We receive ongoing ceding allowances, which are reflected as a reduction to insurance expenses, to cover policy and claims administration expenses as well as certain corporate overhead charges under each of these reinsurance contracts.

A fourth coinsurance agreement relates to a 10% reinsurance transaction that includes an experience refund provision. This agreement does not satisfy GAAP risk transfer rules. As a result, we have accounted for this contract using deposit method accounting and have recognized a deposit asset in other assets on our balance sheet for assets backing the economic reserves. The deposit assets held in support of this agreement were $52.4 million at September 30, 2011, with no associated liability. We make contributions to the deposit asset during the life of the agreement to fulfill our responsibility of funding the economic reserve. The market return on these deposit assets is reflected in net investment income during the life of the agreement. Prime Re is responsible for ensuring that there are sufficient assets to meet all statutory requirements. We pay Prime Re a 3% finance charge for any statutory reserves required above the economic reserves. This finance charge is reflected in interest expense in our statements of income.

The net impact of these transactions was reflected as an increase in paid-in capital. Because the agreements were executed on March 31, 2010, but transferred the economic impact of the agreements retroactive to January 1, 2010, we recognized the earnings attributable to the underlying policies through March 31, 2010 in our statement of income. The corresponding impact on retained earnings was equally offset by a return of capital to Citi.

Tax Separation Agreement

During the first quarter of 2010, our federal income tax return was included as part of Citi's consolidated federal income tax return. In March 2010, in anticipation of our corporate reorganization, we entered into a tax separation agreement with Citi. In accordance with the tax separation agreement, Citi is responsible for and shall indemnify and hold the Company harmless from and against any consolidated, combined, affiliated, unitary or similar federal, state or local income tax liability with respect to the Company for any taxable period ending on or before April 2010. After the closing date of the Offering, the Company was no longer part of Citi's consolidated federal income tax return.

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(3) Segment Information

We have two primary operating segments — Term Life Insurance and Investment and Savings Products. We also have a Corporate and Other Distributed Products segment. Information regarding assets by segment follows:

	September 30, 2011	December 31, 2010
	(In thousands)	
Assets:		
Term life insurance segment	$6,068,228	$5,738,219
Investment and savings products segment	2,456,177	2,615,916
Corporate and other distributed products segment	1,483,102	1,530,171
Total assets	$10,007,507	$9,884,306

The Investment and Savings Products segment includes assets held in separate accounts. Excluding separate accounts, Investment and Savings Products segment assets were as follows:

	September 30, 2011	December 31, 2010
	(In thousands)	
Investment and savings products segment assets, excluding separate accounts	$180,598	$170,326

Although we do not view our business in terms of geographic segmentation, our Canadian businesses' percentage of total assets were as follows:

	September 30, 2011	December 31, 2010
Canadian assets as a percent of total assets	29%	31%
Canadian assets as a percent of total assets, excluding separate accounts	9%	9%

Information regarding operations by segment follows:

	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
	(In thousands)			
Revenues:				
Term life insurance segment	$141,713	$115,933	$410,316	$671,500
Investment and savings products segment	97,486	83,874	302,918	258,785
Corporate and other distributed products segment	36,592	41,429	114,004	152,191
Total revenues	$275,791	$241,236	$827,238	$1,082,476
Income (loss) before income taxes:				
Term life insurance segment	$48,088	$42,582	$151,517	$247,044
Investment and savings products segment	26,746	26,578	88,255	78,760
Corporate and other distributed products segment	(10,983)	(7,281)	(26,615)	(7,184)
Total income before income taxes	$63,851	$61,879	$213,157	$318,620

The increase in total revenues and total income before income taxes for the three months ended September 30, 2011 largely reflects the growth in our Term Life Insurance segment following the Citi reinsurance transactions and growth in our Investment and Savings Products segment. The decline in total revenues and total income before income taxes for the nine months ended September 30, 2011 primarily reflects the effects of the reinsurance and reorganization transactions on the Term Life Insurance and Corporate and Other Distributed Products segments as discussed in Note 2.

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Information regarding operations by country follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(In thousands)			
Revenues by country:				
United States	$224,559	$200,361	$669,871	$904,408
Canada	51,232	40,875	157,367	178,068
Total revenues	$275,791	$241,236	$827,238	$1,082,476
Income before income taxes by country:				
United States	$47,769	$46,099	$163,247	$249,951
Canada	16,082	15,780	49,910	68,669
Total income before income taxes	$63,851	$61,879	$213,157	$318,620

The contribution to results of operations by our Canadian businesses were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Canadian revenues as a percent of total revenues	19%	17%	19%	16%
Canadian income before income taxes as a percent of total income before income taxes	25%	26%	23%	22%

For the nine months ended September 30, 2010, total revenues and total income before income taxes reflected three months of operations prior to the Citi reinsurance and reorganization transactions, a substantial portion of which were recognized by our U.S. operations. As a result, Canadian revenues and income before income taxes accounted for a smaller percentage of total revenues and total income before income taxes in the first nine months of 2010 than in periods following the Citi reinsurance and reorganization transactions.

(4) Investments

The period-end cost or amortized cost, gross unrealized gains and losses, and fair value of fixed-maturity and equity securities in our available-for-sale portfolio follow:

	September 30, 2011			
	Cost or 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	$16,489	$1,104	$—	$17,593
Foreign government	88,390	11,966	(389)	99,967
States and political subdivisions	27,283	2,654	—	29,937
Corporates (1)	1,338,339	114,068	(8,631)	1,443,776
Mortgage- and asset-backed securities	478,599	31,895	(3,702)	506,792
Total fixed-maturity securities	1,949,100	161,687	(12,722)	2,098,065
Equity securities	18,396	4,262	(556)	22,102
Total fixed-maturity and equity securities	$1,967,496	$165,949	$(13,278)	$2,120,167

(1) Includes $3.6 million of other-than-temporary impairment losses recognized in AOCI.

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	December 31, 2010			
	Cost or 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	$21,596	$667	$(61)	$22,202
Foreign government	81,367	13,182	(8)	94,541
States and political subdivisions	26,758	754	(293)	27,219
Corporates (1)	1,276,906	112,821	(3,806)	1,385,921
Mortgage- and asset-backed securities	523,130	31,366	(3,018)	551,478
Total fixed-maturity securities	1,929,757	158,790	(7,186)	2,081,361
Equity securities	17,394	5,826	(7)	23,213
Total fixed-maturity and equity securities	$1,947,151	$164,616	$(7,193)	$2,104,574

(1) Includes $3.5 million of other-than-temporary impairment losses recognized in AOCI.

We also maintain a portfolio of fixed-maturity securities that are classified as trading securities. The carrying value of these securities was as follows:

	September 30, 2011	December 31, 2010
	(In thousands)	
Fixed-maturity securities classified as trading, carried at fair value	$19,685	$22,767

During the three months ended September 30, 2011, we transferred approximately $8.9 million of securities from the trading portfolio to the available-for-sale portfolio. Because the securities were transferred at fair value, no gain or loss was recognized.

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.

As required by law, the Company has investments on deposit with governmental authorities and banks for the protection of policyholders. The fair values of investments on deposit were as follows:

	September 30, 2011	December 31, 2010
	(In thousands)	
Fair value of investments on deposit with governmental authorities	$	