



**THE COMMONWEALTH OF MASSACHUSETTS**  
**OFFICE OF CONSUMER AFFAIRS AND BUSINESS**  
**REGULATION**  
**DIVISION OF INSURANCE**

***REPORT OF EXAMINATION OF THE***

**Primerica Life Insurance Company**

**Boston, Massachusetts**

**As of December 31, 2004**

**NAIC GROUP CODE 0041**

**NAIC COMPANY CODE 65919**

**EMPLOYER'S ID NO. 04-1590590**

# PRIMERICA LIFE INSURANCE COMPANY

## TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Introduction	2
Scope of Examination	2
Information Systems Review	2
Comments on the Previous Statutory Examination Report	3
History	3
Growth of Company	3
Organizational Chart	4
Affiliated Companies	5
Common Capital Stock	7
Gross Paid-in and Contributed Surplus	7
Dividend to Stockholder	7
Management and Control	7
Board of Directors	7
Executive Committee	8
Investment Committee	8
Compensation Committee	9
Officers	9
Conflict of Interest	10
Management Continuity and National Emergency	10
Fidelity Bond and Other Insurance	10
Employee Welfare	11
Territory and Plan of Operation	12
Treatment of Policyholders – Market Conduct	13
Statutory Deposits	13
Reinsurance	14
Reinsurance Assumed	14
Reinsurance Ceded	14
Accounts and Records	16
Subsequent Events	16
Financial Statements	16
Statement of Assets, Liabilities, Capital and Surplus	17, 18
Statement of Operations	19
Statement of Changes in Capital and Surplus, 2000 – 2004	20
Comments and Recommendations	21
Acknowledgement	21



**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

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May 5, 2006

The Honorable Alfred W. Gross, Chair  
Financial Condition (E) Committee  
Commissioner of Insurance  
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The Honorable Julianne M. Bowler  
Commissioner of Insurance  
Secretary, Northeastern Zone, NAIC  
Division of Insurance  
Commonwealth of Massachusetts  
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Honorable Commissioners and Director:

Pursuant to the statutory requirements of the Commonwealth of Massachusetts and in conformity with your instructions, an association examination has been made of the transactions and financial condition of

**Primerica Life Insurance Company**

having its home office at 150 Federal Street, 15<sup>th</sup> Floor, Boston, Massachusetts 02110 and its administrative offices located at 3120 Breckinridge Boulevard, Duluth, Georgia, 30099. The following report is respectfully submitted.

## INTRODUCTION

The Primerica Life Insurance Company ("PLIC", "Primerica" or "the Company") was last examined for the period January 1, 1995 through December 31, 1999. The current examination covers the intervening period from January 1, 2000, through December 31, 2004, and any material transactions and/or events occurring subsequent. This financial examination was conducted in accordance with Massachusetts General Laws ("MGL") Chapter 175, Section 4 and substantially complied with those standards established by the Financial Condition (E) Committee of the National Association of Insurance Commissioners ("NAIC") and the *NAIC Financial Condition Examiners Handbook*, and examination standards of the Commonwealth of Massachusetts Division of Insurance ("the Division"). It was conducted at the direction of and under the overall management and control of the examination staff of the Division, representing the NAIC Northeastern Zone (Zone 1). Representatives from the firm of Deloitte & Touche LLP ("Deloitte") were engaged by the Division to assist in the examination by performing certain examination procedures, including an actuarial review of the Company's actuarially determined items.

## SCOPE OF EXAMINATION

During the course of this examination, the operations, management and corporate policies, transactions, and, accounting practices and procedures and internal controls of the Company were reviewed, analyzed, and tested to the extent deemed appropriate and necessary. General operations of the Company were reviewed for compliance with applicable Massachusetts insurance statutes. Audit work conducted by the Company's external auditors, KPMG LLP ("KPMG"), was reviewed, relied upon wherever deemed appropriate and effective, and incorporated into the work papers supporting this examination whenever deemed appropriate. The work of the Company's internal auditors was also reviewed and relied upon to the extent deemed appropriate. The premium, loss and benefit, reinsurance, investment and operating controls employed by the Company were reviewed and found to have in place sufficient internal controls. In performing the examination, certain procedures, reviewed and approved by the Division, were applied to selected records and transactions of the Company. NAIC JumpStart reports were utilized for procedures relating to bonds, stocks, and short-term investments.

## INFORMATION SYSTEMS REVIEW

A review and an evaluation of the control environment of PLIC's information systems were performed. The NAIC's Information Systems (IS) Questionnaire completed by the Company was reviewed and interviews with Company staff were conducted to gather supplemental information and corroborate the Company's responses to the questionnaire. A review was also made of the documentation supporting Management and Organization Controls, Application Systems Development and Maintenance Controls, Operating and Processing Controls, Logical and Physical Security Controls, Contingency Planning

Controls, Personal Computer, Local Area Network (LAN), Wide Area Network (WAN) and Internet Controls. The control environment of the Company's information systems was reviewed and found to have in place sufficient internal controls.

#### COMMENTS ON THE PREVIOUS STATUTORY EXAMINATION REPORT

There were no comments or recommendations from the prior Examination Report as of December 31, 1999.

#### HISTORY

The Company was incorporated on September 19, 1927, under the laws of the Commonwealth of Massachusetts as the Fraternal Protective Insurance Company and commenced business on October 31, 1927. The name of the Company was changed on November 12, 1931, to the Massachusetts Indemnity Insurance Company. In July of 1956, the name was changed to Massachusetts Indemnity and Life Insurance Company. Effective July 1, 1992, the name was changed to Primerica Life Insurance Company.

The Company is authorized to write life insurance, accident and health insurance and make contracts for the payment of annuities and pure endowments. The Company is engaged primarily in the business of underwriting and administering term life insurance.

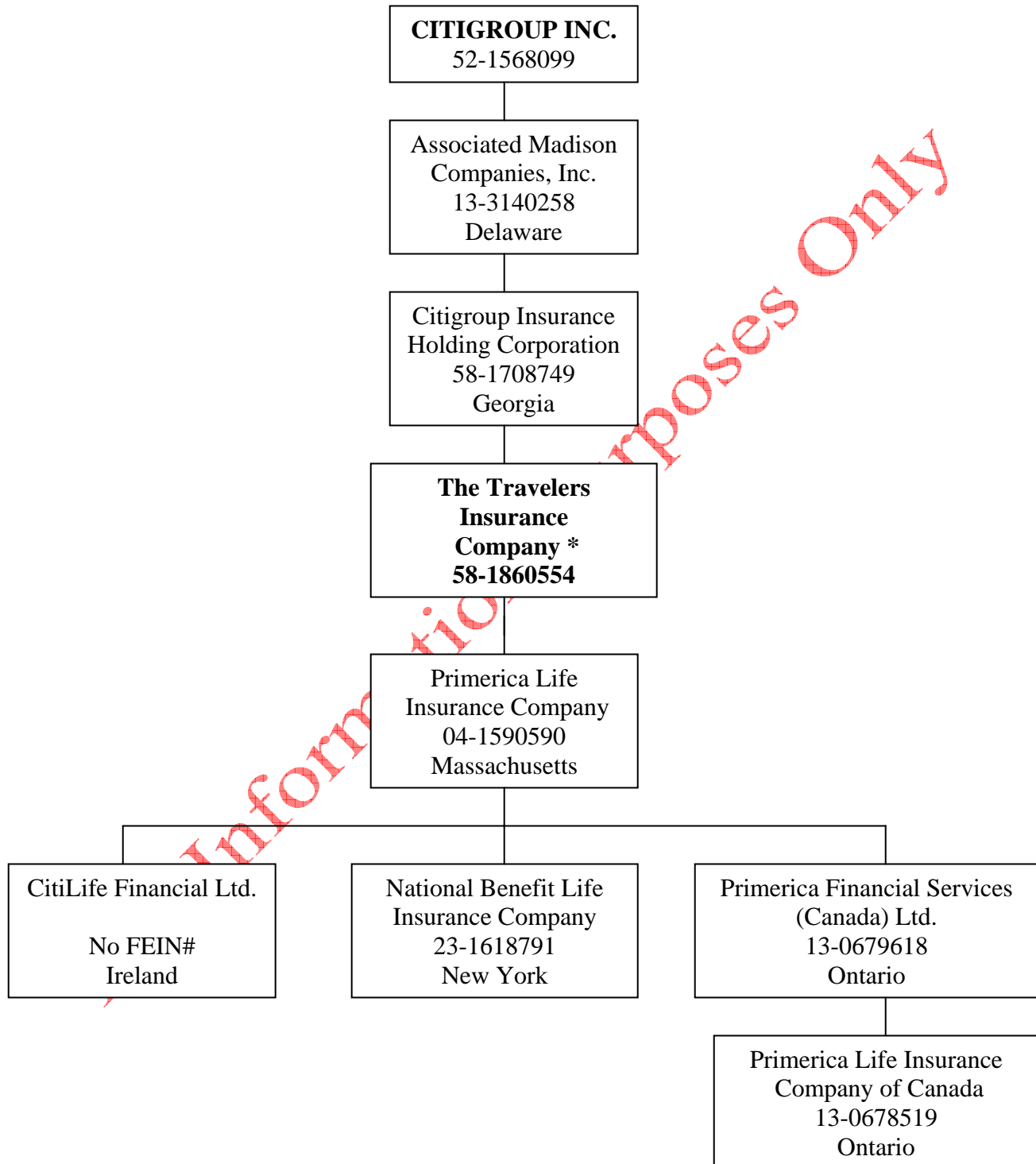
#### GROWTH OF COMPANY

The growth of the Company since the last examination to December 31, 2004 is summarized in the following schedule:

<b>Year</b>	<b>Premium Income</b>	<b>Admitted Assets</b>	<b>Total Liabilities</b>	<b>Capital and Surplus</b>
<b>2000</b>	\$ 919,079,675	\$4,175,895,246	\$2,656,738,734	\$1,519,156,512
<b>2001</b>	953,590,710	4,546,919,333	2,984,160,160	1,562,759,173
<b>2002</b>	1,090,440,662	4,674,481,858	3,193,430,422	1,481,051,436
<b>2003</b>	1,062,442,342	5,344,016,340	3,667,628,183	1,676,388,157
<b>2004</b>	1,102,377,805	5,553,177,660	3,735,298,611	1,817,879,049

## ORGANIZATIONAL CHART

An organization chart of Primerica and certain of its subsidiaries and affiliates at December 31, 2004 is as follows:



\* On July 1, 2005, Citigroup Inc. ("Citigroup") sold substantially all of its life insurance and annuities domestic product line, primarily The Travelers Insurance Company ("TIC") and substantially all of its international insurance business. Prior to the sale, on June 30, 2005, the Company's stock was distributed to TIC's immediate parent, Citigroup Insurance Holding Corporation, an indirect subsidiary of Citigroup, so that the Company remained an indirect wholly owned subsidiary of Citigroup.

### AFFILIATED COMPANIES

During the period from 2000 through 2005, the Company engaged in a number of significant transactions and arrangements with affiliates as follows:

#### Expense Allocation Agreement with TIC

At December 31, 2004, PLIC had an Expense Allocation Agreement with TIC under which TIC provided, on a fee basis, to PLIC certain custodial and advisory services, including, but not limited to, trading of actual securities, recommendation of investments and, subject to PLIC's investment objectives, restrictions and limitations, the execution and performance of PLIC's investment program. In 2004 and 2003, the fees incurred by PLIC were \$3,875,868 and \$3,028,177, respectively.

#### General Agency Agreement with Primerica Financial Services, Inc.

PLIC has a General Agency Agreement with Primerica Financial Services, Inc. ("PFS") that provides that PFS will be PLIC's general agent for marketing all insurance of PLIC. In consideration of such services, PLIC agreed to pay PFS marketing fees of no less than \$10,000,000, based upon US gross direct premiums received by PLIC. In 2004 and 2003, PLIC paid fees of \$15,000,000 and \$12,500,000, respectively.

#### Cost Sharing and Allocation Agreement

PLIC has a cost sharing and allocation agreement with Primerica Financial Services Home Mortgages, Inc., PFS Investments Inc., Primerica Financial Services, Inc., Primerica Shareholder Services, PFS Distributors, Inc., Primerica Services, Inc., Primerica Convention Services, Inc., and Primerica Client Services, Inc. Under the terms of the agreement, PLIC provides certain functions, personnel and facilities, including accounting, tax, financial reporting, treasury, education, training, marketing, field communications, executive, licensing, telecommunications, information services, printing, facilities, purchasing and other administrative services. The affiliate companies reimburse PLIC for the fair and reasonable cost of these functions. In 2004 and 2003, the Company received reimbursements of \$17,143,483 and \$15,020,483, respectively.

#### Cost Sharing and Services Agreement with National Benefit Life Insurance Company

PLIC has a cost sharing and services agreement with National Benefit Life Insurance Company (“National Benefit Life”), a wholly owned subsidiary. Under the terms of the agreement, PLIC provides certain functions, personnel and facilities, including, but not limited to, insurance administration and underwriting. In 2004 and 2003, PLIC received reimbursements of \$4,374,394 and \$3,793,447, respectively.

In addition, National Benefit Life has an agreement with PLIC whereby PLIC provides National Benefit Life with certain data processing services for a fee. In 2004 and 2003, PLIC received \$981,099 and \$808,761, respectively.

#### Data Processing Services to Primerica Life Insurance Company of Canada and PFSL Investments Canada, Ltd.

PLIC has an agreement with Primerica Life Insurance Company of Canada and PFSL Investments Canada, Ltd. whereby the Company provides certain data processing services for a fee. In 2004 and 2003, PLIC received \$482,093, and \$460,007, respectively, for such services.

#### Service Arrangements with European Affiliates

PLIC has arrangements with certain of its European affiliates to provide maintenance and support for use of information systems, including the Life Administration System, Commission and Agent Systems, Peoplesoft General Ledger and general network/mainframe support. The following European affiliates received and were charged for information support services from Primerica Life. In 2004 and 2003 respectively the Company received the following; Citilife Financial Limited \$940,668, and \$970,000; Citisolutions Financial Limited \$263,817 and \$360,000; Citisolutions Financial (UK) Limited \$208,896 and \$120,000.

#### Tax Allocation Agreement

A Tax Allocation Agreement, effective January 1, 1994, was in effect between the Company and other affiliates which are included in TIC's consolidated tax return. The agreement generally provides an allocation of tax liability (or receivable) among each such affiliate equal to the amount which would have been paid (or credited) to each affiliate had the affiliate filed a separate return. The agreement's provisions require computations of separate tax liability in accordance with Section 1502 of the Internal Revenue Code and the underlying Treasury Regulations.



### **Common Capital Stock**

The authorized capital stock of the Company consists of 500,000 shares of common stock with a par value of \$5.00 each. At December 31, 2004, 497,020 shares were issued and outstanding, and such outstanding shares were owned by TIC.

The Company reported 2,980 shares of treasury stock as of December 31, 2004, with an aggregate par value of \$14,900.

### **Gross Paid-in and Contributed Surplus**

The Company's Gross Paid-in and Contributed Surplus during the period of this examination was as follows:

<b><u>Year</u></b>	<b><u>Amount</u></b>
2004	\$684,213,628
2003	679,863,544
2002	663,865,411
2001	659,668,881
2000	648,757,165

### **Dividend to Stockholder**

During the period of this examination, the Company's Board of Directors declared dividends to Stockholder as follows:

<b><u>Year</u></b>	<b><u>Dividend</u></b>
2004	\$220,000,000
2003	140,000,000
2002	220,000,000
2001	210,000,000
2000	270,000,000

## **MANAGEMENT AND CONTROL**

### **Board of Directors**

The Company's Bylaws provide that the Board of Directors shall be comprised of such number as determined by the Stockholder or by a majority of Directors, but shall not be less than five Directors nor more than eleven. Directors are elected and hold the position until the next Annual Meeting of the Stockholder or until their successors are duly chosen and qualified.

The membership of the Board as of December 31, 2004, and principal affiliation of each member is as follows:

<b><u>Name and Address</u></b>	<b><u>Principal Affiliation</u></b>
John Aurelius Addison, Jr	Co-Chief Executive Officer Primerica Life Insurance Company
Jeffrey Scott Fendler	President Primerica Life Insurance Company
Ricky Lewis Mathis	Executive Vice President Primerica Life Insurance Company
Joseph Lee Moskovitz	Executive Vice President Primerica Life Insurance Company
Alison Sue Rand	Executive Vice President, Chief Financial Officer Primerica Life Insurance Company
Daniel Brian Settle	Executive Vice President, Chief Actuary Primerica Life Insurance Company
Donald Richard Williams	Co-Chief Executive Officer Primerica Life Insurance Company
Glenn Jackson Williams	President Primerica Financial Services Home Mortgages, Inc.

### **Executive Committee**

The Executive Committee, to the extent permitted by law, may exercise all of the powers during intervals between meetings of the Board. At December 31, 2004, the Executive Committee consisted of the following members:

Jeffrey S. Fendler  
Rick L. Mathis  
Alison S. Rand

### **Investment Committee**

The purpose of the Investment Committee is to approve and authorize investments of the Company. At December 31, 2004, the Investment Committee consisted of the following members:

Jeffrey S. Fendler  
Alison S. Rand  
D. Richard Williams

## **Compensation Committee**

The purpose of the Compensation Committee is to authorize the payment of salaries and other compensation to the five most highly compensated officers and directors and to any additional officer or director whose salary exceeds one hundred fifty thousand dollars.

At December 31, 2004, the Compensation Committee consisted of the following member:

D. Richard Williams

## **Officers**

The following individuals were serving as senior officers of Primerica at December 31, 2004:

John A. Addison, Jr.	Co-Chief Executive Officer
D. Richard Williams	Co-Chief Executive Officer
Jeffrey S. Fendler	President
Michael C. Adams	Executive Vice President
Gregory J. Betchkal	Executive Vice President
Chess E. Britt	Executive Vice President
Shirley A. Cate	Executive Vice President
David T. Chadwick	Executive Vice President
Karen R. Fine	Executive Vice President
Alexis P. Ginn	Executive Vice President
William A. Kelly	Executive Vice President
Barbara T. King	Executive Vice President
Ricky L. Mathis	Executive Vice President
Dona M. McConnell	Executive Vice President
Cynthia K. Mitchell	Executive Vice President
Duane M. Morrow	Executive Vice President
Joseph L. Moskowitz	Executive Vice President
Terrie L. Mote	Executive Vice President
Gregory C. Pitts	Executive Vice President
Alison S. Rand	Executive Vice President, Chief Financial Officer
Peter W. Schneider	Executive Vice President, General Counsel
Daniel B. Settle	Executive Vice President, Chief Actuary
Stanton J. Shapiro	Executive Vice President, Clerk/Secretary
David H. Siegel	Executive Vice President
Mitchell L. Slayton	Executive Vice President
Wanda S. Smith	Executive Vice President
Michael S. Turnage	Executive Vice President
Lisa M. Vacante	Executive Vice President
David R. Wade	Executive Vice President
Glenn J. Williams	Executive Vice President
Danny J. Woodard	Executive Vice President

## CONFLICT OF INTEREST

The Citigroup Code of Conduct requires Primerica employees to be sensitive to any activities, interests or relationships that might interfere with, or even *appear* to interfere with, the employee's ability to act in the best interest of the Company and its customers. Therefore, employees are required to obtain written consent from the Company before engaging in any other businesses, accepting employment or compensation from any other person, or serving as an officer, director, partner, or employee of another business or organization.

The Citigroup Code of Conduct and the U.S. Consumer Group Employee Handbook, each of which is distributed to Primerica employees, provides information with regards to conflict of interest. In addition, all employees are required to review and sign the Standards of Corporate Conduct as they participate in each annual compliance meeting. The Standards of Corporate Conduct reinforces the need for disclosure of conflict of interest issues.

## MANAGEMENT CONTINUITY AND NATIONAL EMERGENCY

The Company provides for the continuity of management in the event of a catastrophe or other emergency in accordance with sections 180M through 180Q of Chapter 175 of the Massachusetts General Laws.

## FIDELITY BOND AND OTHER INSURANCE

Primerica, along with other subsidiaries of Citigroup, is a named insured on a Bankers Blanket Bond, which limits exceed the NAIC suggested minimum for fidelity bond coverage. The Company, along with other subsidiaries within Citigroup is also named as an insured for excess all risk, registered mail, directors and officers liability, comprehensive general liability, comprehensive automobile liability, workers' compensation, excess liability and global all risk blanket/property real and personal including EDP, extra expense, business interruption and terrorism coverages.

## EMPLOYEE WELFARE

Eligible employees of the Company are offered the following benefits:

- Life Insurance
- Medical and Dental Insurance
- Long Term Disability
- Employee Savings Plan
- Defined Benefit Pension Plan
- Stock Option Plans

### **Employee Savings Plan**

Primerica employees that meet specific requirements are eligible to participate in a 401(k) Savings Plan. The Company contributes a maximum of 3% of eligible pay to a maximum of \$1,500 annually to the plan for eligible employees.

### **Defined Benefit Pension Plan**

The Company participates in the Citigroup Pension Plan, a qualified noncontributory defined benefit pension plan sponsored by Citigroup, the Company's ultimate parent. Benefits under this plan for the employees of the Company are based on the cash balance formula. The parent company's funding policy for qualified plans is to contribute, at a minimum, the equivalent of the amount required under the Employee Retirement Income Security Act of 1974.

### **Stock Plans**

Periodically, Citigroup grants stock options to certain officers and employees of the Company. These stock options relate to Citigroup's stock. Generally the options granted prior to 2003 vest over five years and the options granted after 2002 vest over three years. The options may be exercised only if the person is employed by or contractually associated with the Company or a subsidiary of Citigroup. The plan also permits an employee exercising certain options to be granted new options (reload options) in an amount equal to the number of common shares used to satisfy the exercise price and the withholding taxes due upon exercise.

The Company participates in a Capital Accumulation Plan sponsored by Citigroup. Under this plan, restricted stock of Citigroup is issued to participating officers, agents and other key employees. The restricted stock vests after a three-year period.

## TERRITORY AND PLAN OF OPERATION

Primerica is authorized to transact business in all states and the District of Columbia, with the exception of the State of New York. The Company is also authorized in Puerto Rico, Guam, the U.S. Virgin Islands and the Northern Mariana Islands. The Company is an accredited reinsurer in the State of New York.

Primerica is primarily engaged in the business of underwriting and administering term life insurance sold through PFS, an affiliated general agency. PFS and its affiliates market in the State of New York, the insurance products of National Benefit Life, and in Canada through Primerica Life Insurance Company of Canada, direct and indirect subsidiaries of the Company, respectively.

Some agents licensed with the Company are also licensed with PFS Investments Inc., a NASD registered broker dealer, which offers a variety of mutual funds. Some of the Company's agents sell variable annuities underwritten by TIC and The Travelers Life and Annuity Company. There are also agents who are authorized by Primerica Financial Services Home Mortgages, Inc., which brokers a variety of lending products.

The term life insurance products sold by the Company as of December 31, 2004, consist of :

1. Term life insurance products and riders featuring level initial premium periods of 10, 15, 20 and 30 years with level face amounts to age 95 for primary and spouse insureds.
2. A term life insurance policy and rider featuring level initial premium periods to age 65 (or for 30 years if greater), with level face amounts for the first 25 years, decreasing thereafter, for primary and spouse insureds.
3. A term rider on the lives of children of primary insured, which is convertible at age 25.
4. A rider that increases the face amount of coverage (for primary or spouse insureds) in predetermined increments.
5. A disability waiver of premium rider.

The life insurance plans sold by the Company generally are convertible into other Company insurance plans without proof of insurability. Additionally, there is an option to convert to decreasing or annual renewable term insurance coverage to age 100. Policies are offered at reduced rates to non-tobacco users and preferred risks. The Company maintains closed blocks of fixed annuities and accident and health policies.

The predominant method of premium payment for the Company's products is monthly via electronic funds transfer or pre-authorized check.

#### TREATMENT OF POLICYHOLDERS-MARKET CONDUCT

During the financial examination of the Company, the Division's Market Conduct Department initiated a comprehensive market conduct examination of the Company for the period January 1, 2005, through December 31, 2005. The market conduct examination was called pursuant to authority in Massachusetts General Laws Chapter (M.G.L. c.) 175, Section 4. The market conduct examination is being conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Division. Representatives from the firm of Rudmose & Noller Advisors, LLC were engaged to complete certain agreed upon procedures which were developed using the guidance and standards of the NAIC Market Conduct Examiner's Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins. The basic business areas that are being reviewed under this market conduct examination are Company Operations/Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services; Underwriting and Rating; Claims, in addition to an assessment of the Company's internal control environment. Once this market conduct examination is completed a Report on the Comprehensive Market Conduct Examination of the Company for the period January 1, 2005 through December 31, 2005 will be issued and become available as a public document.

#### STATUTORY DEPOSITS

The statutory deposits of the Company at December 31, 2004, are as follows:

Location	Type of Security	Par Value	Statement Value	Market Value
Arkansas	US of America Treasury Note	\$ 115,000	\$ 115,022	\$ 114,982
Florida	US of America Treasury Note	295,000	295,057	294,953
Georgia	US of America Treasury Note	220,000	220,042	219,965
Kansas	US of America Treasury Note	200,000	200,038	199,968
New Mexico	US of America Treasury Note	135,000	135,026	134,978
North Carolina	US of America Treasury Bond	290,000	343,469	346,721
North Carolina	US of America Treasury Note	110,000	110,021	109,982
Virginia	US of America Treasury Note	300,000	300,058	299,952
Puerto Rico	US of America Treasury Bond	800,000	1,013,055	1,080,872
Virgin Islands	US of America Treasury Note	535,000	535,103	534,914
Massachusetts	US of America Treasury Note	1,500,000	1,786,727	1,776,830
<b>TOTALS</b>		<u>\$4,500,000</u>	<u>\$5,053,618</u>	<u>\$5,114,117</u>

## REINSURANCE

### Reinsurance Assumed

The Company has two reinsurance assumed treaties with RGA Reinsurance Company (RGA) that account for the majority of reinsurance assumed business. One of the treaties covers credit life and health policies with \$18 million of credit life reserves assumed and \$38 million of unearned credit health premiums. The other treaty covers ordinary life policies with \$42 million of reserves assumed.

### Reinsurance Ceded

With respect to ceded ordinary life business, the Company's net retention for any one life is \$1,000,000 for basic life insurance and an additional \$600,000 for Increasing Benefit Riders (IBR) as authorized by the Board of Directors. At December 31, 2004, the Company had ceded approximately 25% of its written business (based on aggregate reserves for life policies) via treaties of coinsurance and yearly renewable term. Cessions were executed on both an automatic and facultative basis.



### Quota Share Coinsurance

From 1980 to 1991, the Company reinsured coverages for primary and spouse insureds under first dollar quota share coinsurance arrangements. The percentage reinsured ranged from 15% to 50% up to the retention limit. The table below shows the reinsurance companies with the most reinsurance inforce under the quota share coinsurance arrangements.

As of December 31, 2004

Company	Ceded Face	Reserve Credit
Employer's Reassurance Corporation	\$2,184,773,839	\$27,680,435
Munich American Reassurance Co.	2,975,192,067	36,415,966
Transamerica Financial Life Insurance Co.	5,623,180,225	58,600,687
Swiss Re Life & Health America, Inc.	22,871,951,350	284,878,432
Total of 4 companies	33,655,097,481	407,575,520
Total all quota share coinsurance	36,166,509,985	445,267,196
Share of 4 companies	93%	92%

### Excess Loss

From 1991 to June of 1994, the Company reinsured coverages over the retention limit on an excess loss basis. No significant amounts of reinsurance were ceded during this time.

### Quota Share Yearly Renewable Term (YRT)

From June 1994 to present, the Company reinsured coverages for primary and spouse insureds on first dollar quota share YRT arrangements. The percentage reinsured ranged from 80% to 90% up to the retention limit. The table below shows the reinsurance companies with the most reinsurance inforce under quota share YRT arrangements.

As of December 31, 2004

Company	Ceded Face	Reserve Credit
Scor Life US Re Insurance Company	\$14,887,041,772	\$18,582,924
Scottish Re (U.S), Inc.	16,057,925,804	21,986,729
Swiss Re Life & Health America, Inc.	23,553,852,378	41,953,215
RG&A Reinsurance Company	24,376,045,747	31,940,073
Transamerica Financial Life Insurance Co.	30,396,760,547	50,859,566
Munich American Reassurance Co.	33,019,572,417	45,681,605
Revios Reinsurance US Inc	48,003,715,574	72,576,910
Generali USA Life Reassurance Company	48,162,123,986	72,908,677
Total of 8 companies	238,457,038,225	356,489,699
Total all quota share YRT	264,827,411,581	395,374,633
Share of 8 companies	90%	90%

## ACCOUNTS AND RECORDS

The Company maintains its accounts and records electronically. All entries are input to the data processing system, which then generates general ledger and supporting reports, as well as other reports common to the insurance industry.

In accordance with 211 CMR 23.00, the Company is audited annually by the independent accounting firm of KPMG LLP, whose work papers were utilized during the course of this examination to the extent deemed appropriate. Management letters given to the Company as part of its audit process were reviewed for all the years covered by the examination.

## SUBSEQUENT EVENTS

### Sale of The Travelers Insurance Company

On July 1, 2005, Citigroup sold The Travelers Insurance Company ("TIC") (Primerica's parent) and certain other domestic and international insurance businesses to MetLife, Inc. (MetLife) pursuant to an Acquisition Agreement (the Agreement). Primerica was not included in the transaction. Primerica and certain other assets remain with Citigroup. Prior to the closing, TIC distributed to its parent company, Citigroup Insurance Holding Corporation, by way of dividend, Primerica and certain other assets. PLIC is now a subsidiary of Citigroup Insurance Holding Corporation, which, in turn, is a wholly-owned subsidiary of Associated Madison Companies, Inc. Citigroup is the ultimate parent of Associated Madison Companies, Inc.

### Investment Manager

Effective January 1, 2006, the Company appointed Conning Asset Management Company as its investment manager.

## FINANCIAL STATEMENTS

The following financial statements reflect the assets, liabilities, capital and surplus as determined by this examination, showing the Statement of Assets, Liabilities, Capital and Surplus of the Company as of December 31, 2004, together with a Statement of Operations for the Year Ended December 31, 2004, and a Statement of Changes in Capital and Surplus for the Years Ended December 31, 2000, 2001, 2002, 2003 and 2004.

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts and by the National Association of Insurance Commissioners, as of December 31, 2004.

**PRIMERICA LIFE INSURANCE COMPANY**  
**STATEMENT OF ASSETS, LIABILITIES, CAPITAL AND SURPLUS**  
**AS OF DECEMBER 31, 2004**

	As Reported by the Company	Examination Changes	Per Statutory Examination
<b>ASSETS</b>			
Bonds	\$ 3,860,775,020	\$ -	\$ 3,860,775,020
Preferred stocks	461,621,846		461,621,846
Common stocks	720,509,364		720,509,364
Cash and short-term investments	208,389,232		208,389,232
Other invested assets	68,058,889		68,058,889
Receivable for securities	6,640,982		6,640,982
Investment income due and accrued	46,885,568		46,885,568
Uncollected premiums and agents' balances in course of collection	18,497,930		18,497,930
Deferred premiums and agents' balances and installments booked but deferred and	48,408,869		48,408,869
Reinsurance ceded	24,705,913		24,705,913
Net deferred tax asset	40,366,264		40,366,264
Guaranty funds receivable or on deposit	430,356		430,356
Electronic data processing equipment and software	2,735,641		2,735,641
Receivable from parent, subsidiaries and affiliates	5,332,545		5,332,545
Aggregate write-ins for other than invested assets	39,819,241		39,819,241
<b>Total Assets</b>	<b>\$ 5,553,177,660</b>	<b>\$ -</b>	<b>\$ 5,553,177,660</b>

**PRIMERICA LIFE INSURANCE COMPANY**  
**STATEMENT OF ASSETS, LIABILITIES, CAPITAL AND SURPLUS (Cont'd)**  
**AS OF DECEMBER 31, 2004**

LIABILITIES	As Reported by the Company	Examination Changes	Per Statutory Examination
Aggregate reserve for life policies and contracts	\$ 2,740,689,476	\$ -	\$ 2,740,689,476
Aggregate reserve for accident and health contracts	38,000,000		38,000,000
Liability for deposit-type contracts	309,172,376		309,172,376
Policy and contract claims-life	68,843,096		68,843,096
Policy and contract claims-accident and health	17,783,537		17,783,537
Premiums and annuity considerations received in advance	4,424,329		4,424,329
Contract liabilities not included elsewhere	63,839,238		63,839,238
Commissions to agents due or accrued	46,170,308		46,170,308
General expenses due or accrued	28,877,785		28,877,785
Taxes, licenses and fees due or accrued, excluding fed. inc. taxes	7,096,619		7,096,619
Current federal and foreign income taxes	26,921,215		26,921,215
Amounts withheld or retained by company as agent or trustee	4,814,097		4,814,097
Remittances and items not allocated	47,636,141		47,636,141
Miscellaneous liabilities Asset Valuation Risk (AVR)	98,234,542		98,234,542
Miscellaneous liabilities Payable for Securities	30,184,767		30,184,767
Aggregate write-ins for liabilities	202,611,085		202,611,085
<b>Total Liabilities</b>	<b>3,735,298,611</b>	<b>-</b>	<b>3,735,298,611</b>
<b>CAPITAL and SURPLUS</b>			
Common stock	2,500,000		2,500,000
Gross paid in and contributed surplus	684,213,628		684,213,628
Unassigned funds	1,131,180,321		1,131,180,321
Treasury Stock	(14,900)		(14,900)
<b>Total Capital and Surplus</b>	<b>1,817,879,049</b>	<b>-</b>	<b>1,817,879,049</b>
<b>Total Liabilities and Capital and Surplus</b>	<b>\$ 5,553,177,660</b>	<b>\$ -</b>	<b>\$ 5,553,177,660</b>

**PRIMERICA LIFE INSURANCE COMPANY**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

REVENUES	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums and annuity considerations	\$ 1,102,377,805	\$ -	\$ 1,102,377,805
Consideration for supplementary contracts	75,655		75,655
Net Investment income	271,835,881		271,835,881
Amortization of interest maintenance reserve	8,208,786		8,208,786
Commissions and expense allow. on reins. ceded	44,238,475		44,238,475
Aggregate write-ins for miscellaneous income	36,366,302		36,366,302
<b>Total Revenues</b>	<b>1,463,102,904</b>		<b>1,463,102,904</b>
<b>BENEFITS</b>			
Death benefits	352,313,098		352,313,098
Benefits under accident and health contracts	11,333,234		11,333,234
Surrender benefits and withdrawals for life contracts	6,181,960		6,181,960
Interest and adjustments on contracts or deposit-type contracts	7,749,713		7,749,713
Payments on supplemental contracts with life contingencies	13,023		13,023
Increase in aggr reserves for life & A&H policies	191,060,087		191,060,087
<b>Total Benefits</b>	<b>568,651,115</b>	<b>-</b>	<b>568,651,115</b>
<b>EXPENSES</b>			
Commissions on premiums, annuity considerations and deposit-type contracts	282,222,712		282,222,712
Commissions and expense allowances on reinsurance assumed	12,949,477		12,949,477
General Insurance expense	172,868,775		172,868,775
Insurance taxes, licenses and fees, excluding federal income taxes	29,597,703		29,597,703
Increase in loading and deferred and uncollectible premiums	(3,770,892)		(3,770,892)
Aggregate write-ins for deductions	24,785		24,785
<b>Total Expenses</b>	<b>1,062,543,675</b>	<b>-</b>	<b>1,062,543,675</b>
Net gain from operation before dividends to policyholders and before federal income taxes	400,559,229		400,559,229
Federal and foreign income taxes incurred	137,248,209		137,248,209
Net gain from operation after dividends to policyholders and before federal income taxes	263,311,020		263,311,020
Net realized capital gains or loss	(342,931)		(342,931)
<b>Net Income</b>	<b>\$ 262,968,089</b>	<b>\$ -</b>	<b>\$ 262,968,089</b>

**PRIMERICA LIFE INSURANCE COMPANY**  
**STATEMENT OF CHANGES IN CAPITAL AND SURPLUS**  
**FOR THE YEARS ENDED DECEMBER 31, 2000, 2001, 2002, 2003 AND 2004**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Capital and Surplus, prior year</b>	\$ 1,498,596,904	\$ 1,519,156,512	\$ 1,562,759,173	\$ 1,481,051,436	\$ 1,676,888,157
Net income	223,431,465	242,326,962	81,692,630	230,821,807	262,968,089
Change in net unrealized capital gains (losses)	65,661,545	(29,637,486)	60,587,322	141,882,774	124,544,592
Change in net deferred income tax	-	564,101	54,284,827	(137,873,202)	27,487,494
Change in non-admitted assets and related items	(6,159,310)	(6,423,607)	(55,056,363)	-	(33,251,346)
Change in liability for reinsurance in unauthorized companies			-	103,799,699	-
Change in asset valuation reserve	(5,579,791)	6,067,165	(7,412,683)	(19,292,490)	(24,608,021)
Paid in Capital	13,205,699	10,911,716	4,196,530	15,998,133	4,350,084
Cumulative effect of changes in accounting principles		29,793,810		-	
Dividends to stockholder	(270,000,000)	(210,000,000)	(220,000,000)	(140,000,000)	(220,000,000)
<b>Net change in capital and surplus for the year</b>	<u>20,559,608</u>	<u>43,602,661</u>	<u>(81,707,737)</u>	<u>195,336,721</u>	<u>141,490,892</u>
<b>Capital and Surplus, December 31, current year</b>	<u>\$ 1,519,156,512</u>	<u>\$ 1,562,759,173</u>	<u>\$ 1,481,051,436</u>	<u>\$ 1,676,388,157</u>	<u>\$ 1,817,879,049</u>

## COMMENTS AND RECOMMENDATIONS

There were no comments or recommendations on the financial statements as a result of the procedures performed for the association financial examination.

## ACKNOWLEDGEMENT

### Report of Certified Financial Examiner

This is to certify that the undersigned is a duly qualified Certified Financial Examiner ("CFE"), and that pursuant to a proposal submitted by Deloitte & Touche, LLP to the Division of Insurance of the Commonwealth of Massachusetts, certain agreed-upon procedures have been applied to the accounting and corporate records of Primerica Life Insurance Company for the purpose of assisting the Division in fulfilling its requirements regarding periodic Association Statutory Examinations of Massachusetts domiciled insurers.

The undersigned's participation in this examination as the Examiner-in-Charge encompassed responsibility for the coordination and direction of the statutory examination performed which was in accordance with, and substantially complied with the standards established by the Financial Condition (E) Committee and the NAIC and the NAIC Examiners Handbook. This participation consisted of involvement in the planning and administration of the examination, review of work papers prepared as documentary evidence of examination procedures performed, and of the statutory examination report.

The cooperation and assistance of the officers and employees of the Company extended to all examiners during the course of the examination is hereby acknowledged.

Respectfully submitted,

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Kenneth R. Brenner, CPA  
Supervising Examiner  
Examiner-in-Charge  
Commonwealth of Massachusetts  
Division of Insurance  
Representing Northeastern Zone, NAIC

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John A. Turchi, CFE, CPCU  
Supervising Examiner  
  
Commonwealth of Massachusetts  
Division of Insurance  
Representing Northeast Zone, NAIC