Globe Life Inc.

Q1, 2024 Earnings Call

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## PRESENTATION

**Stephen Mota** - Globe Life Inc. - Sr. Director of Investor Relations

Thank you. Good morning everyone. Joining the call today are Frank Svoboda and Matt Darden, our Co-Chief Executive Officers, Tom Kalmbach, our Chief Financial Officer, Mike Majors, our Chief Strategy Officer, and Brian Mitchell, our General Counsel.

Some of our comments or answers to your questions may contain forward-looking statements that are provided for general guidance purposes only. Accordingly, please refer to our earnings release and 2023 10-K on file with the SEC. Some of our comments may also contain non-GAAP measures. Please see our earnings release and website for discussion of these terms and reconciliations to GAAP measures.

I will now turn the call over to Frank.

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Thank you Stephen, and good morning everyone. In the first quarter, net income was $254 million or $2.67 per share, compared to $224 million or $2.28 per share a year ago. Net operating income for the quarter was $264 million or $2.78 per share, an increase of 10% from a year ago. On a GAAP reported basis, return on equity through March 31 is 21.3%, and book value per share is $53.03. Excluding accumulated other comprehensive income, or AOCI, return on equity is 14.3% and book value per share as of March 31 is $79, up 12% from a year ago.

**Before we continue, we would like to take a moment to address ahead of time questions many of you may have regarding dismissed litigation against the Company, the DOJ inquiry, and the recent attack on the Company by a short seller**.

For over 70 years, our business model has stood the test of time. And as we will further discuss today, we continue to generate sustainable earnings growth that provides long-term value for our shareholders. With over 17 million policies in-force, our millions of customers value the protection of the Company's products, and we strive to be there when our customers need us most.

We want to assure you that Globe Life, its management, and our Board of Directors strive to act in accordance with the highest level of ethics and integrity at all levels of the organization. While we believe the short seller's claims present a false and misleading overall picture of the Company and its subsidiaries, as a demonstration of our commitment to operating ethically, the Company's Audit Committee has retained the international law firm, WilmerHale, to conduct an independent review of the assertions in the short seller's report. As you can appreciate, given the ongoing nature of the DOJ's investigation and out of respect for the integrity of the independent review initiated by the Audit Committee, we are limited in what we can say. For this reason, we will not be taking any additional questions on these issues today, although our intent is to address questions we understand you may have to the extent possible. We will provide updates as and when appropriate.

First, we want to provide a brief update on the status of the lawsuit filed by claimant Renee Zinsky, a former independent contractor sales agent, which, as many of you know, included allegations of sexual harassment, and purported fraudulent business practices, neither of which we tolerate, and a claim that she was misclassified as an independent contractor. On September 27, 2022, the claimant filed the demand for arbitration and participated in the selection of the 3 arbitrator panel. After 1.5 years of litigation, the arbitration hearing was scheduled to begin on March 4, 2024. The night before the hearing, the claimant sought to dismiss her claims without obtaining any relief or payment. After a lengthy discussion on the record, the panel dismissed the case with prejudice, and on April 3, 2024 the United States District Court for the Western District of Pennsylvania affirmed the dismissal with prejudice.

On March 14, 2024, Globe Life filed an 8-K addressing this matter in more detail, and the court filings are publicly available for those interested. Also noted in our Form 8-K, Globe Life and American Income received subpoenas from the U.S. Attorney's Office for the Western District of Pennsylvania.

These subpoenas sought documents related to sales practices by certain licensed insurance agents in the Arias organization who are contracted to sell American Income policies. The Company and American Income is in the process of responding to these subpoenas, which were received in late 2023, and have been fully cooperating with the DOJ. The DOJ has not asserted any claims or made allegations against the Company and American Income with respect to the foregoing investigation. And the Company currently is not aware that any legal proceedings are contemplated by governmental authorities.

While no assurances can be made and we are still evaluating the matter, management did not believe when the subpoenas were received, and does not believe now, that it is either reasonably possible or probable this investigation will result in material liability to the Company. As such, the Company did not disclose the existence of the request from the DOJ in its Form 10-K. We are providing additional information regarding this matter to you now in light of recent questions that have been raised.
Matt?

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

Thanks Frank. Most recently, both the litigation and the DOJ's investigation were the subject of a lengthy attack on the Company by a short seller. As we have stated publicly, we believe the report mischaracterizes many facts and it relies on anonymous sources, dismissed lawsuits and allegations that have not been proven in litigation, to present a false and misleading overall picture of Globe Life and American Income. In this instance, we believe the short seller's report demonstrates a fundamental lack of understanding of the life insurance business generally and about how our Company operates and reports revenue. As we have disclosed in our annual reports and audited financial statements, Globe Life recognizes revenue from premiums for long-duration life and health insurance products over the life of the contract and when payments are due from the policyholder. Therefore, premium revenue closely matches the cash we collect monthly. For example, during the fiscal year 2023, American Income's collected premium payments and reported GAAP premium income were essentially the same at $1.6 billion. A history of American Income's collected premium as compared to its reported GAAP premium is included in the Supplemental Financial Information available on the Investors section of our website.

Now we only report net sales and policies after they have been through our underwriting and quality control processes, and as disclosed in our public filings, when calculating net sales for American Income, we exclude policies that are canceled in the first 30 days after issue. Fundamentally, the success of our business depends on our underwriting rigor and our ability to continue selling policies to customers who keep their policies and pay their premiums over time. Now this builds a solid book of business, and we have continued to do so year-over-year. In fact, over 80% of American Income's total life premiums are received from policies that have been in-force for over 1 year. Please see our First Year and Renewal GAAP Premium page under the Financial Reports and Other

Financial Information in the Investor section of our website.

Now the more than 11,000 independent agents who sell American Income policies, offer products designed to help families Make Tomorrow Better by working to protect their financial future. Each agency office has a structured hierarchy, whereas agents above the writing agent receive an override commission paid by the Company. While there is a hierarchy, there is no pyramid scheme as the policies require customers to pay the monthly premium for the policy to continue. There is no third-party payer of premiums.

It is important to note this business model has stood the test of time and is common in the industry. American Income realizes revenue and profits only when these customers pay their premiums over time. We have generated consistent growth, providing long-term value for our shareholders, with a history of integrity in our business practices and principles while providing our customers with financial protection when it matters most, as well as job opportunities for agents, small business owners and employees to build financial security.

Now these agents are independent contractors, and the agency offices are independent businesses. Notwithstanding their independence, Globe Life takes unethical agent conduct seriously, and has measures to detect and deter actions that are inconsistent with the Company's values, including, among others, American Income has internal controls and monitoring processes in place to identify potential agent misconduct, and monitors relevant data metrics for each individual agent to identify and assess trends regarding unethical or fraudulent business practices, including data related to policy lapse and persistency.

Now our annual policy count and face amount lapse rates are disclosed in our regulatory filings and our quarterly premium in-force lapse rates are disclosed each quarter in the supplemental financial information we provide. These controls also include background checks on all prospective agents. Agents who contract with American Income must have a valid license issued by the appropriate state departments of insurance, who have their own processes for determining one's suitability to be a licensed insurance agent. American Income has controls to validate the indenity and legitimacy of the sale to the customer, including conducting quality assurance calls to verify new applications. And when complaints are raised, including complaints alleging fraud, deceit, unethical business practices or other misconducts, American Income has a dedicated group responsible for investigating these allegations. American Income has not hesitated to take disciplinary actions against agents and agency owners where warranted, including termination and notice to the appropriate regulatory bodies. Indeed, the short seller's report relies heavily on allegations by a former employee who, following an internal review, was terminated for cause based on violations of the Company's policies prohibiting sexual harassment. This matter is the subject of pending litigation. The company investigates complaints when they are received and, where appropriate, authorizes independent investigations.

The report also contains allegations regarding bribery and kickback schemes. These claims are based on a lawsuit that was filed by an insurance licensing exam test prep Company. This lawsuit was dismissed by the U.S. District Court for the Eastern District of Texas. American Income does not contract with or recommend any test prep companies to prospective agents, and we are not aware of any bribes or kickbacks to the Company executives.

Additionally, we want to make clear that the projections and guidance we will be providing on this call today incorporate our current view based on our knowledge of the business and the information we have at this time. Now with respect to our insurance operations, I will turn the call back over to Frank.

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Thanks Matt. In our life insurance operations. Premium revenue for the first quarter increased 4% from the year-ago quarter to $804 million. Life underwriting margin was $309 million, up 6% from a year ago. For the year, driven by strong premium growth in both our American Income and Liberty National divisions, we expect life premium revenue to grow between 4.5% and 5% at the midpoint of our guidance, and life underwriting margin to grow between 7% and 7.5%. As a percent of premium, we anticipate life underwriting margin to be in the range of 38% to 40%. In health insurance, premium grew 6% to $341 million, and health underwriting margin was up 3% to $94 million. For the year, we expect health premium revenue to grow around 7%. At the midpoint of our guidance for the full year, we expect health underwriting margin to grow between 5% and 6%, and as a percent of premium, to be around 27% to 29%.

The final Tri-Agency rule regarding various health plans was finalized with minimal impact to the supplemental health products we sell and, therefore, to our business. The final rule requires an additional consumer disclosure, which we will implement as required.

Administrative expenses were $80 million for the quarter, up 9% from a year ago. As a percent of premium, administrative expenses were 7%, consistent with our expectations and compared to 6.7% a year ago. For the year, we expect administrative expenses to be approximately 7% of premium, higher than 2023, due primarily to continuing investments in technology as we modernize and transform how we operate.

I will now turn the call over to Matt for his comments on the first quarter marketing operations.

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

Thank you Frank.

**First, let us discuss American Income Life.**

At American Income Life, life premiums were up 7% over the year-ago quarter to $414 million, and life underwriting margin was up 7% to $187 million. In the first quarter of 2024, net life sales were $97 million, which is up 17% from a year-ago quarter, primarily due to growth in agent count.

The average producing agent count for the first quarter was 11,139. This is up 15% from a year ago. This is another strong quarter for American Income and builds on the growth in sales and agent count that we achieved in the third and fourth quarter of 2023.

At Liberty National, life premiums were up 7% over the year-ago quarter to $91 million, and life underwriting margin was up 11% to $31 million. Net life sales declined 2% to $22 million, and net health sales were $8 million, up 7% from a year-ago quarter due primarily to increased agent count.

Now as a reminder, we report on sales after the policy has been through our quality control and underwriting processes. As we have previously discussed, we continue to make investments in technology to enhance our business. One of these investments is a new business and underwriting platform for our life business at Liberty National, which we implemented toward the end of the first quarter. As a result of this system implementation, our policy issue speed temporarily slowed down. Now I am pleased to see that the amount of business submitted from the field to the underwriting department is up 11% from the prior-year quarter. Now I anticipate as we finalize our transition to this new system, our throughput of policies will return to historical norms. The average producing agent count for the first quarter was 3,419, up 14% from a year ago. We continue to be proud of the strong agent count growth at Liberty National.

At Family Heritage, health premiums increased 8% over the year-ago quarter to $103 million, and health underwriting margin increased 13% to $36 million. Net health sales were up 11% to $25 million, and this is due to increased agent productivity enabled by our investments in technology. Average producing agent count for the first quarter was 1,295, approximately flat from a year ago. Family Heritage continues to focus on agent count and middle management growth.

**Now let us discuss Direct to Consumer**.

In our Direct to Consumer Division at Globe Life, life premiums were flat compared to the year-ago quarter to $248 million, while life underwriting margin increased 4% to $59 million. Net life sales were $29 million, down 12% from the year-ago quarter. As we have previously discussed, this decline is primarily due to lower customer inquiries as we have reduced marketing spend on certain campaigns that did not meet our profit objectives. We will continue to focus on maximizing the underwriting margin dollars on new sales by managing the rising advertising and distribution costs associated with acquiring this new business. Additionally, the Direct to Consumer channel provides critical support to our agency business through brand impressions and the generation of sales leads.

**Now let us discuss United American General Agency.**

Here, the health premiums increased 7% over the year-ago quarter to $142 million. Health underwriting margin of $12 million is down approximately $1 million from the year-ago quarter. Net health sales were $16 million, up 7% over the year-ago quarter, due to strong activity in the individual Medicare supplement business.

**Now let us discuss projections.**

Now based on the trends that we are seeing and our experience with our business, we expect the average annual producing agent count trends for 2024 to be as follows. At Liberty National, mid-teens growth. At Family Heritage, low single-digit growth.

Net life sales for 2024 are expected to be as follows. For Liberty National, mid-teens growth; Direct to Consumer, slightly down.

Net health sales for 2024 are expected to be as follows. Liberty National, mid-teens growth; Family Heritage, low double-digit growth. United American General Agency, low to mid-single-digit growth.

Now based on very recent events, we are actively evaluating the impact on AIL's agent count and projected sales for the remainder of the year. Now to date, we have not seen a significant impact on our agent recruiting pipeline. As the majority of our business is produced by experienced agents, any negative recruiting trends should have a muted impact on 2024 sales. In addition, it should be noted that sales in the second half of the year have a diminished impact on premium earnings, especially since over 80% of American Income Life's premiums come from policies that have been in-force for greater than 1 year. That said, taking into account, what we know today and the knowledge of our business, at the midpoint of our guidance, we estimate average agent count growth and sales growth at AIL for the full year to be in the low single-digits and mid-single digits, respectively.

We acknowledge these are estimates and thus agent count and sales growth could be higher or lower. The range of our earnings guidance contemplates a range of possibilities regarding sales and agent count growth, including reasonably severe scenarios. Due to the significant growth in the first quarter, our sales guidance does assume a moderation of sales for the remainder of the year.

I will now turn the call back to Frank.

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Thanks Matt.

**We will now turn to the investment operations.**

Excess investment income, which we define as net investment income less only required interest, was $44 million, up $15 million from the year-ago quarter. Net investment income was $283 million, up 10% or $25 million from the year-ago quarter. The increase is due to the continued strong growth in average invested assets.

Higher interest rates across fixed maturities, commercial mortgage loans, limited partnerships and short-term investments also contributed to the higher growth rate. Required interest is up 4.8% over the year-ago quarter, same as the increase in average policy liability. For the full year, we expect net investment income to grow between 7% and 9% due to the combination of the favorable interest rate environment and steady growth in our invested assets, especially related to our CMLs and limited partnership investments.

In addition, at the midpoint of our guidance, we anticipate required interest will grow between 5% and 5.5% for the year, resulting in growth in excess investment income of approximately 25% to 30%.

**Now regarding our investment yield.**

In the first quarter, we invested $682 million in investment-grade fixed maturities, primarily in the industrial and financial sectors. This amount was higher than expected to take advantage of opportunities in the market. We invested at an average yield of 5.86%, an average rating of A-, and an average life of 32 years. We also invested approximately $126 million in commercial mortgage loans and limited partnerships that have debt-like characteristics at an average expected return of 10%. None of our direct investments in commercial mortgage loans involve office properties. These investments are expected to produce additional cash yield over our fixed maturity investments, and they are in line with our conservative investment philosophy.

For the entire fixed maturity portfolio, the first quarter yield was 5.24%, up 6 basis points from the first quarter of 2023 and up 1 basis point from the fourth quarter. As of March 31, the tax equivalent effective yield rate on the fixed maturity portfolio was 5.25%, Including the cash yield from our commercial mortgage loans and limited partnerships, the first quarter earned yield was 5.46%.

Invested assets are $21.4 billion, including $19.5 billion of fixed maturities at amortized cost. Of the fixed maturities, $19 billion are investment grade with an average rating of A-. Overall, the total fixed maturity portfolio is rated A-, same as a year ago.

Our fixed maturity -- investment portfolio has a net unrealized loss position of approximately $1.4 billion due to the current market rates being higher than the book yield of our holdings. As we have historically noted, we are not concerned by the unrealized loss position as this is mostly interest rate driven and currently relates entirely to bonds with maturities that extend beyond 10 years. We have the intent and, more importantly, the ability to hold our investments to maturity.

Bonds rated BBB comprised 47% of the fixed maturity portfolio, compared to 51% from the year-ago quarter. While this ratio is high relative to our peers, we have little or no exposure to higher-risk assets such as derivatives, equities, residential mortgages, real estate equities, CLOs and other asset-backed securities held by our peers. We believe that the BBB securities we acquired generally provide the best risk-adjusted, capital-adjusted returns due in part to our ability to hold securities to maturity regardless of fluctuations in interest rates or equity markets.

Below investment grade bonds remained low at $542 million, compared to $596 million a year ago. The percentage of below investment grade bonds to total fixed maturities is 2.8%.

At the midpoint of our guidance, for the full year, we expect to invest approximately $1 billion to $1.2 billion in fixed maturities at an average yield of 5.6% to 5.8%, and approximately $400 million to $500 million in commercial mortgage loans and limited partnership investments with debt-like characteristics, at an average expected cash return of 8% to 10%.

As we said before, we are pleased to see higher interest rates as this has a positive impact on operating income by driving up net investment income with no impact to our future policy benefits since they are not interest sensitive.

Now I will turn the call over to Tom for his comments on capital and liquidity.

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

Thanks Frank.

**First, let me spend a few minutes discussing our share repurchase program, available liquidity, and capital position**.

The Parent began the year with liquid assets of $48 million and ended the quarter with liquid assets of approximately $66 million, slightly higher than the $50 million to $60 million that we have historically targeted.
In the first quarter, the Company repurchased almost 128,000 shares of Globe Life Inc. common stock for a total cost of approximately $16 million at an average share price of $122.13. Thus, including shareholder dividend payments of $21 million for the quarter, the Company returned approximately $37 million to shareholders during the first quarter of 2024. The amount of share repurchases during the first quarter is lower than we had anticipated, solely due to the evaluation of a potential acquisition wherein we paused share repurchases until conclusion on the acquisition was reached. We have decided not to pursue the acquisition and, as such, intend to continue repurchases as soon as possible.
In addition to the liquid assets held by the Parent, the Parent Company generated excess cash flows during the first quarter and will continue to do so for the remainder of 2024. The Parent Company's excess cash flow, as we define it, results primarily from dividends received by the Parent from its subsidiaries, less the interest paid on debt. We anticipate the Parent Company's excess cash flow for the full year will be approximately $450 million to $470 million and is available to return to shareholders in the form of dividends and through share repurchases.
Excess cash flows in 2024 are estimated to be higher than those in 2023, primarily due to higher statutory earnings in 2023 as compared to 2022. Including $66 million of available liquid assets at the end of the quarter, along with the $390 million to $410 million in excess cash flows we expect to generate during the remainder of 2024, the Company has approximately $455 million to $475 million of liquid assets available to the Parent for the remainder of 2024, of which we anticipate distributing approximately $65 million to $70 million to our shareholders in the form of dividend payments.

As mentioned on previous calls, we will use our cash as efficiently as possible. At this time, we believe that share repurchases provide the best return or yield to our shareholders over other alternative investments -- over other alternatives.

Thus, we anticipate share repurchases will continue to be the primary use of Parent excess cash flows after the payment of shareholder dividends.

At the midpoint of our earnings guidance, we anticipate approximately $350 million to $370 million of share repurchases for the year, with approximately 1/2 of that occurring in the second quarter and the remainder in the third and fourth quarters. That said, given current market conditions and should they remain favorable, we will clearly consider accelerating repurchases and may consider accelerating some portion of our anticipated 2025 excess cash flows into 2024.

**Now with respect to our capital levels at our insurance subsidiaries.**

Our goal is to maintain our capital levels necessary to support ratings -- current ratings. Globe Life targets a consolidated Company Action Level RBC in the range of 300% to 320%. At the end of 2023, our consolidated RBC ratio was 314%. At this ratio our subsidiaries had at that time, approximately $85 million of capital over the amount needed to meet the low end of our consolidated RBC target of 300%.

**Now with regards to policy obligations for the current quarter.**

As we discussed on prior calls, we have included within the Supplemental Financial Information available on our website an exhibit that details the remeasurement gain or loss by distribution channel. As a reminder, in the third quarter of 2023, we updated both our life and health assumptions, and there have been no changes to our long-term assumptions in the periods since. No assumption updates were made in the first quarter of 2024, and we intend to update life and health assumptions in the third quarter of this year.

In addition to the impact of assumption changes, the remeasurement gain or loss also indicates experience fluctuations. For the first quarter of 2024, life policy obligations were favorable when compared to our assumptions of mortality and persistency. The remeasurement gain related to experience fluctuations resulted in $5 million of lower life policy obligations and $3 million of lower health policy obligations. As expected, life remeasurement gains were lower this quarter than in the first half of 2023 -- sorry, in the last half of 2023, which we believe is due in part to the seasonally high first quarter life claims versus the rest of the year.

We continue to be encouraged by the recent short-term trends and policy obligations experience. The range of earnings guidance encompasses the possibility of future favorable remeasurement gains through 2024. The recent experience as well as our life mortality trends in the first half of 2024 will inform the third quarter 2024 update to our endemic mortality assumptions. As we noted on our last call, our endemic mortality assumptions currently assumes returning to mortality levels slightly above pre-pandemic levels over the next few years. Recent trends, if they should continue, may indicate a quicker recovery than our current assumptions.

**Finally, with respect to earnings guidance for 2024.**

For the full year 2024, we estimate net operating earnings per diluted share will be in the range of $11.50 to $12.00, representing 10.3% growth at the midpoint of our range. The $11.75 point midpoint is higher than our previous guidance and reflects recent and anticipated investment income results, in addition to a greater impact from the $350 million to $370 million of share repurchases in 2024 as discussed earlier.

Those are my comments. I will now return the call back to Matt.

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

Thank you Tom. Those are our comments, and we will now open up the call for questions.

**QUESTIONS AND ANSWERS**

**Jamminder Singh Bhullar** - JPMorgan Chase & Co, Research Division - Senior Analyst

Hi, good morning. So first, I just had a question on what is your rough idea on the timing of the WilmerHale investigation? And then what is your process going to be going forward in terms of giving investors updates? Would -- should we assume that, once something is completed, or if you get a request from a regulator, you would actually put out a filing? Or is it going to be more around scheduled earnings calls or other events?

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes, hi Jimmy, the investigation from WilmerHale will be happening in the near term. And we will be providing updates as appropriate on that. If there is any material updates that are needed, obviously, we will put that out through some type of an 8-K filing. Otherwise, it will be more through our normal channels.

**Jamminder Singh Bhullar** - JPMorgan Chase & Co, Research Division - Senior Analyst

And near term, is it like one -- a quarter or so? Or is it even faster or slower? Just trying to get some sense.

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

I think as we mentioned earlier, in respect to the ongoing activity, we do not have a specific time frame on that. We are not really going to comment.

**Jamminder Singh Bhullar** - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay. And then in terms of the impact on your business thus far, I realize 2 weeks is too short of a period, but -- and you are implying that sales thus far have not been affected. But are there other parts of your business that are affected where you have seen an impact either on persistency of policies or retention of agents, or any other aspects of the business where you are -- you have seen an impact short term or longer term from what is gone on over the past couple of weeks?

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes. As I have mentioned in the earlier remarks, we are really not seeing an impact. The first place I think it would show up would be in the agent recruiting pipeline, and we are not seeing an impact there. As well as from a customer perspective, we received very limited input from that.

For point of reference, we receive about 40,000 to 50,000 calls a day. And in the early days, we are receiving 3, 4 or 5 calls. Recently, that trend has been 0. We also have an agent call-in line as well, and we are receiving the same thing, just minimal to now 0 calls from our agent field as well on this topic.

**Jamminder Singh Bhullar** - JPMorgan Chase & Co, Research Division - Senior Analyst

And the blackout on your buybacks, is that expiring or that goes away tomorrow? Or is it later on today or next week?

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes, Jimmy, it goes away just in the normal course that we are open tomorrow to be able to start buying back shares.

**Jamminder Singh Bhullar** - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay, thank you.

**Ryan Joel Krueger** - Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research

Hi, thanks good morning. My first question is, can you help us -- can you quantify the typical amount of capital strain on your free cash flow from new business in a given year? I guess what I am trying to understand is, I am trying to separate the amount of in-force free cash flow you generate versus the typical new business strains. Anything you can do to help quantify that, please?

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

Yes Ryan, thanks for the question. On prior calls, I have actually given a rule of thumb kind of along those lines that, for the agency channels, we expect statutory strain of about 40% to 50% of any increase in sales. So that would work the same way as if we had a reduction in sales. So that gives you a good frame of reference for determining that.

**Ryan Joel Krueger** - Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research

That is for the change in sales. But what about if you had no new sales at all? Can you give any sense of what -- how much higher your free cash flow would be?

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

Yes, the same rule of thumb works. So, if we had no sales, basically about half of that would be an increase in excess cash flows. And the important thing to note is those would be increases in statutory earnings in the current year, which would then be excess cash flows in the following year --

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

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**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

Yes.

**Ryan Joel Krueger** - Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research

Got it thanks, and then maybe it will be temporary, but given where your stock is currently trading and the depressed valuation multiple, would you consider looking into an in-force reinsurance transaction to monetize some portion of your existing in-force value to then lead to additional buyback capacity to take advantage of the differential in the price you may be able to get on a transaction like that versus where your stock is currently trading?

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes, Ryan. I think we will take a look at various options of how we might generate some financing for that or just -- and see if that makes sense. That would be one of the opportunities that we would look into.

**Ryan Joel Krueger** - Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research

Okay. Great. And then just one last quick one. Can you give any sense of the mix between first year commissions versus renewal commissions that you pay on business? Just trying to size kind of how meaningful are renewal commissions -- are the vast majority paid in the first year.

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

You got that Tom.

I do want to say, Ryan, I do not have that right off the top here. I do want to say that the majority of it is first year commissions, but I want to be careful with that.

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

Yes, I would agree. I mean I think we could look at the renewal commissions and our statutory filings to get some insight there. But I would think renewal commissions are less than 10% of renewal premiums. So that might be a good frame of reference.

**Ryan Joel Krueger** - Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research

Okay great, thank you.

**Wes Carmichael** Autonomous Research – Research Analyst

Hey good morning. Thank you for taking my question. You talked about in your prepared remarks potentially accelerating the buyback and bringing back maybe 2025. Does that decision depend on the outcome of any review by WilmerHale or regulators?

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

No. I mean for the -- what we know today, we are looking at just -- the timing of resources to be able to accomplish any buyback. And obviously, we are looking at market conditions as well. And so, if we have an opportunity to be buying back shares, clearly less than our book value. We believe that is a very good answer for our shareholders and a very good return for that money.

Now typically, as you know, our historic buyback methodology has been pro rata over the years. As we receive our dividends from our subsidiaries, we kind of -- when we get that over the course of the year, and we kind of use our CP balances to kind of help even that out, some of the timing of that, over the course of time. And so, all things else being equal, we would be kind of doing that ratably throughout the remainder of 2024 as the liquidity becomes available. And so, we will be looking at just opportunities to accelerate that and depending on the timing of just being able to fund some of those.

**Wes Carmichael** Autonomous Research – Research Analyst

And I guess the press release mentioned that you were blacked out of repurchases for part of the quarter. You talked about that a little bit. But can you just confirm, was Globe the potential acquirer of something? And maybe any more color you could provide on that would be helpful.

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes. No, we were looking at an opportunity where we were going to be the acquirer. Early in January, we reached a decision where the transaction would be material enough and it was probable enough to actually happen, that we thought that we should put ourselves into a blackout period with respect to the repurchasing of our shares. As Tom noted in his comments, we are no longer considering that opportunity.

Of course, during the month of April, here -- during the time period prior to our call where we are not -- we are in a normal blackout anyway because of knowledge -- material knowledge that we have around earnings and such. So as -- and then as I have mentioned to Jimmy, we will be coming out of that tomorrow.

**Wes Carmichael** - Autonomous Research – Research Analyst

Thank you.

**John Bakewell Barnidge** - Piper Sandler & Co., Research Division - MD & Senior Research Analyst

Thank you for the opportunity, good morning. Does the guidance for admin expense include the cost of the WilmerHale investigation?

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

I would say that the overall estimate of everything that we know today would be included in our overall guidance of what we have given.

**John Bakewell Barnidge** - Piper Sandler & Co., Research Division - MD & Senior Research Analyst

Okay. And then when you looked at the Beasley transaction a few years ago, did that cause a repurchase blackout during that period? Just trying to get some sizing of what you were looking at.

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

It did. It was just a shorter period of time.

**John Bakewell Barnidge** - Piper Sandler & Co., Research Division - MD & Senior Research Analyst

Thank you for that.

**Elyse Beth Greenspan** - Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst

Hi thanks, good morning. My first question, I guess, is also on the potential M&A deal. Did you guys choose to walk away because you were no longer interested in the property or did you walk away because it was a function of where your stock price was when you made the decision?

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes. We did end up walking away primarily as a result of the stock price of where we are at today. As we got to -- looking at what would be the best utilization of our funds for our shareholders and being able to give the highest and best risk-adjusted returns to our shareholders, we did make the decision that repurposing any acquisition funds, if you will, toward the purchase of our own shares would be in the best interest.

**Elyse Beth Greenspan** - Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst

And then can you just remind us like some properties, I guess, that you would from an M&A perspective, find attractive? I mean, I guess, obviously, the buyback, it sounds like you guys are on hold for a while with deals. But just as we try to get a sense of maybe what you might have been looking at in the quarter?

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes. As far as M&A goes, we typically look at opportunities that are in our markets. We like the middle income market. We also like the products that we distribute in the form of the risk profile, the profitability profile of those. So basic protection life or supplemental health products.
We also like exclusive distribution or opportunities from a direct to consumer perspective. And so, our current business model, as that is framed up, is that is the lens we look through as we think about M&A opportunities.

**Elyse Beth Greenspan** - Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst

Thank you.

**Wilma Carter Jackson Burdis** - Raymond James & Associates, Inc., Research Division - Research Analyst

Hey good morning. Could you talk a little bit about what drove up the 2024 excess cash flow versus the prior guide?

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

Yes. Wilma, it really was just a little bit higher statutory earnings as we finalize the earnings from 2023. We are seeing a little bit higher subsidiary dividends to the Parent.

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes. Wilma just think about the timing of that, our statutory blue book for 2023 really does not get fully completed until sometime in February. So, that is after the time that we have that first quarter call.

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

And what I would add is I think that is consistent with the favorable mortality results that we saw in the third and fourth quarter of 2023 as well.

**Wilma Carter Jackson Burdis** - Raymond James & Associates, Inc., Research Division - Research Analyst

Okay and following up on an earlier question, maybe just can you talk a little bit about -- you talked about bringing forward some 2025 excess cash flows. Is there any way to quantify that amount or how that could work?

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Right now, Wilma, there really is not. We will take a look at the situation, as we think about where the share price changes over time and just in our availability of cash flows, and we will just have to look at that over time. And we should be able to give more update on that clearly on our next call.

**Wilma Carter Jackson Burdis** - Raymond James & Associates, Inc., Research Division - Research Analyst

Okay thank you.

**Thomas George Gallagher** - Evercore ISI Institutional Equities, Research Division - Senior MD

Good morning. Just first, a question just on the DOJ subpoena. Curious like why there is any involvement by the DOJ here at all. Just considering I thought the domain of sales practices of life insurers was state insurance regulators, not any kind of federal body. But -- any perspective on that -- of what is going on here? And is their subpoena in coordination with insurance regulators? Or just -- is it just stand-alone?

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

As I have mentioned earlier, that is the subject of an ongoing matter. I would just refer you back to what we said earlier in our prepared remarks related to our assessment of the DOJ activity and the impact thereof.

**Thomas George Gallagher** - Evercore ISI Institutional Equities, Research Division - Senior MD

Okay. And then just a follow-up on the blackout, the M&A opportunity you were looking at, would -- since I guess it was material, should we have assumed that you would have been using equity to finance it or was it just a question of excess cash flows, uses of excess cash flows for M&A? I just want to get a sense for what the message here is on the decision to not go ahead with it.

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes, Tom, I do not think you should make that assumption necessarily. We would be looking at -- just a matter of regardless of how we were looking at financing it, not necessarily with equity, it was a better use of those funds.

**Thomas George Gallagher** - Evercore ISI Institutional Equities, Research Division - Senior MD

Gotcha you. Okay, thank you.

**Jian Huang** - Morgan Stanley, Research Division - Research Associate

Hi, good afternoon -- good morning thank you for this. So, my first question is regarding lapse rate. So, if we look at

American Income, right, the lapse rate continues to inch higher year-on-year. Understanding there are quite a bit of quarterly fluctuations. But maybe can you talk about what is driving the lapse rate moving higher this quarter versus last year's same quarter? And further, just maybe just as lapse rate has normalized higher from -- since 2021, from a statutory basis, can you maybe talk about generally what are the drivers and the run rate expectation for lapse rate for American Income?

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

Yes. The AIL first year lapse rates, they were higher for the quarter. At this point, we do not see the uptick as anything other than fluctuations. We have had quarters in the past that have been -- had lapse rates -- that were similar. In addition, kind of as you mentioned, there is some seasonality in lapse rates, the first quarter tends to be a little higher than other quarters.
On the renewal lapse rates, I think that is really a function of a change in the mix of business. As sales -- as we generated more sales over the recent years, there is more business in that second, third and fourth durations, which tend to have a little bit higher lapse rates than we would have in place for those that have been on the books for a long period of time. So, I think those are the things that are impacting AIL lapse rates at this point.

**Jian Huang** - Morgan Stanley, Research Division - Research Associate

Okay. Got it. So, it is essentially like a normal lapse rate change, not necessarily something abnormal. Got it.

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

Yes

**Jian Huang** - Morgan Stanley, Research Division - Research Associate

So, my second question, I know that a lot of people have been asking about the DOJ and it is not something that you are at liberty to discuss for most of it. But just given the current DOJ probe, given the negative headlines from the third-party distributors and previously, is there a need to maybe revisit the sales organization structure, the compliance procedures, your distributor relationship, things of that nature, in terms of how you think about risk management and compliance going forward? Is there a need for change, so to speak?

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

As we have said, we take unethical agent conduct very seriously. We have measures that we detect and deter these actions. We also continually evaluate our controls and update those as necessary, and we are comfortable that our processes continue to function as intended. So for now, we are pleased with the processes that we have in place, the identification of issues in the field. And as I have mentioned, we have dedicated teams that research and evaluate and conduct investigations on issues as they become known.

**Jian Huang** - Morgan Stanley, Research Division - Research Associate

Got it, thank you very much.

**Suneet Laxman L. Kamath** - Jefferies LLC, Research Division - Equity Analyst

Yes, thanks. I was wondering if you could comment a bit on the concentration of your sales in your various channels to agencies. You had mentioned the Arias Organization in AIL. Can you give us a sense of how much premium comes from that organization, as well as just some data on that concentration, top couple of distributors in each channel, like how much that represents?

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

Sure. maybe first for Arias, it is about 6% or so of our new production. One of the things I think is important to keep in mind is that is an organization of several hundred agents. And all of those agents are individual contractors that are contracted with us and we have agency owners that come and go on a routine basis as just part of our normal business practices. As you might imagine, we have agency owners that retire, they pursue other interests. And as I mentioned earlier, on occasion, it is necessary for us to terminate one. So, we have long business practices over our ability to transition those agents who keep producing business for us and they are contracted with us. And so sometimes, we look at just overall the larger agencies in our larger organizations in our different agencies. Sometimes that kind of falls along the 80-20 rule. But again, those are really -- sometimes they are partnerships, there's multiple agency owners involved, et cetera. And so, I feel like we have got great processes in place to deal with transitions as they are necessary.

**Suneet Laxman L. Kamath** - Jefferies LLC, Research Division - Equity Analyst

And would that -- is that -- sorry, go ahead.

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

I was going to say, Matt, to add to that, that 6% is part of American Income Life sales, and about 3% overall.

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes. American Income Life's new sales.

**Suneet Laxman L. Kamath** - Jefferies LLC, Research Division - Equity Analyst

And when you think about that 6%, is that a big number relative to kind of the overall organization like the other distributors that you have in there? Or is that -- I just want to get a sense of what that 6% feels like to you guys.

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

It is one of our larger ones. Like I said, it kind of gets back to that 80-20 rule of the -- we have over around 100 agency owners, and then more than that when we start looking at individuals involved in partnerships and the like. And so simplistically, our top 20% probably produce about 70% or 80% of our new sales.

But I will just go back to, as a reminder, those agency owners are in charge of an organization of those agents that are individually contracted with us. And those agents that are individually contracted with us stay with us over a period of time and work their way through their own career track.

**Suneet Laxman L. Kamath** - Jefferies LLC, Research Division - Equity Analyst

Got it. And then, I guess, I am still a little confused on the whole remeasurement gains. It sounds like there was not anything here in the quarter. But are you guiding -- it sounds like also you are guiding to some sort of impact with the third quarter assumption review that should be positive. If that is true, I do not know if there is any way that you could kind of size that. And is that embedded in your guidance yet or not?

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

Yes. The -- our guidance and the range of our guidance reflects kind of our -- the information that we have now and our expectations with regards to remeasurement gains or losses due to an assumption change. I think we continue to monitor the trends and if you look back to the third quarter and fourth quarter remeasurement gains, those were fairly sizable.

We had expected first quarter to be lower just because of the flu season and RSV and other things that usually lead to a little bit higher mortality in the first quarter. So those are kind of some of the inputs to how we think about assumption changes when we go into the third quarter.

**Suneet Laxman L. Kamath** - Jefferies LLC, Research Division - Equity Analyst

Okay thanks.

**Jamminder Singh Bhullar** - JPMorgan Chase & Co, Research Division - Senior Analyst

Hey, just wanted to follow up on a couple of things related to your guidance. Are you assuming the lower share price for buybacks in your updated guidance as well?

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

We are. Yes. The lower share price, if I think about the $0.20 increase to our guidance, a little less than half was related to investment income, and the remainder was really driven by share price changes.

**Jamminder Singh Bhullar** - JPMorgan Chase & Co, Research Division - Senior Analyst

And then the remeasurement gains, it seems clear that is in your assumption as well. Any sort of big changes in your assumptions, the underlying assumptions as part of the annual actuarial review, are those in guidance as well or are they not?

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

They are reflected in our range, Jimmy. So again, we are making -- based upon what we know today and the trends, we are trying to make our best estimate as far as where we think guidance will emerge.

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes, Jimmy, it is still too early to know whether or not, of course, whether there would be any assumption change coming up in the third quarter. We are obviously, in the range, we are looking at various possibilities. I mean if we continue to have remeasurement gains and whether or not that could lead to an assumption change or not, or if we end up having some worse experience, which goes the other way, right? So, all that -- all of that is embedded in the overall range.

**Jamminder Singh Bhullar** - JPMorgan Chase & Co, Research Division - Senior Analyst

And then if we look at CDC data, our overall population deaths, they are still running higher than pre-COVID, and some of that has to do with drug abuse and other things. They are improving, but they haven't gotten back to pre-COVID yet. Are you noticing the same in your book as well or is your book recently been running close to long-term pre-COVID type levels?

**Thomas P. Kalmbach** - Globe Life Inc. - Executive VP & CFO

Yes. I would say it is still running a little bit higher, particularly for some causes and drug-related deaths are -- continue to be elevated. Even -- we have seen some improvements off the peak for, say, heart disease, but it is still not back to pre-pandemic levels. Where we are seeing some significant improvements is in motor vehicles and homicides seem to have come down quite a bit.

**Jamminder Singh Bhullar** - JPMorgan Chase & Co, Research Division - Senior Analyst

And then just lastly, on the deal that you were talking about, was this along – I am assuming this is along the lines of deals that you have done in the past in terms of business mix and distribution. But in terms of size, was this a lot larger than what you have done in the past? Because I do not remember you  doing sort of a multibillion dollar type deal recently, but it seems like this could have been a lot bigger. But I am not sure if you are able to comment.

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes, Jimmy, cannot really comment about any kind of specifics. I mean, obviously, it was material enough. It was -- I would just say, a little bit bigger than one -- some of them that we have done  here recently.

**Jamminder Singh Bhullar** - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay. And I will just ask one more. Direct Response sales have been weak for a while, and part of that is just high inflation and higher postage costs. There is talk of postage costs going up further. I am assuming that, if they do, then you will probably see continued weak sales or an incremental impact from that, right?

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes. It is getting more muted over time as more of our sales come through the digital channel, but it does have an impact. And we do watch closely what the postage increases are planned to be and adjust accordingly.
As I have mentioned, our guidance is probably slightly down for the year from a sales growth perspective. But also,  just keep in mind, it is very important the activity that Direct to Consumer is doing to support all of our agency sales. That would not be reflected directly in the sales attributed to the Direct to Consumer channel.

**Jamminder Singh Bhullar** - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay, thank you.

**Wilma Carter Jackson Burdis** - Raymond James & Associates, Inc., Research Division - Research Analyst

Hey guys, thank you for taking the follow-up. Just a quick one. I think Tom asked earlier about the DOJ investigation. From everything I kind of read, it seems like it could be related to the EEOCs investigation to the sexual harassment claims. Is that -- am I way off mark there or?

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes. As we mentioned in our prepared remarks, is the subpoena sought documents related to sales practices by certain licensed insurance agents in the Arias Organization who were contracted to sell American Income policies.

**Wilma Carter Jackson Burdis** - Raymond James & Associates, Inc., Research Division - Research Analyst

Okay gotcha, and then the other one, you guys talked a little bit about the percentage of premiums from policies that have been in-force for more than 1 year. Have you noticed any trends in that figure over time or has it been pretty stable?

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Really been pretty stable. I mean you look at the data, and I would point your attention to the data that we did put on the Supplemental Financial Information on the website. And so we have got 10 years' worth of data out there for both Globe Life and -- as a whole, and then American Income, and it is a 10 year breakdown between renewal and first year premium on those as well.

So, -- I just think that really shows the stable nature of our business. As I continue to go through and look and I think about our business, if you go back 3, 5, 10 years and look at our in-force business, it has grown over 5% in each of those periods. And I think if you look at 15 years -- this is on our life business, and if you go back 15 years, it is probably just a little bit under 5%. And our earned premiums are growing basically at that same rate as well. And you kind of look at that schedule and you look at the renewal premium versus the first year premium and it is pretty consistent.

So, it is -- it is just really showing a very stable, consistent growth. And that, as Matt mentioned in his comments, turns into stable, consistent growth of cash premium collections, of which, at least at American Income, over 95% of those are collected on a monthly basis, and it is a little bit less than that on a total Globe Life basis. But again, that is consistent cash flow that we have talked about over the years, many years, on -- is the strong, stable support for our operations and our statutory operations where we generate over $1 billion of operating cash flow year in and year out. So, the trends on those are pretty consistent over time.

**Wilma Carter Jackson Burdis** - Raymond James & Associates, Inc., Research Division - Research Analyst

Okay thank you.

**Thomas George Gallagher** - Evercore ISI Institutional Equities, Research Division - Senior MD

Just a follow-up on something you mentioned on the investment new money yield side when you said the 8% to 10% expected returns on some alternative-type strategies. Can you just clarify how much money were you expecting to invest in those? And what types of asset classes are you looking to expand into again?

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes. That is about $400 million to $500 million is what we would anticipate in spending in non-fixed maturities investments during the year and what that is, is really it is a 3-year commercial -- transitional commercial mortgage loans. And then there is LP strategies, about half of which are in commercial -- some of those are in commercial mortgage loans as well as other -- that have more -- they have underlying debt-like characteristics, whether it be infrastructure or other types of debt strategies within them. So, it is probably not quite, relatively close to half and half with respect to those.

**Thomas George Gallagher** - Evercore ISI Institutional Equities, Research Division - Senior MD

Got it. So, infrastructure and transitional real estate are the main 2 categories?

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes.

**Thomas George Gallagher** - Evercore ISI Institutional Equities, Research Division - Senior MD

And just out of curiosity, I presume those have higher C1 charges, and if you are looking to husband capital and improve free cash flow, isn’t that going to be somewhat of a drag, obviously, not for this year's free cash flow, but for next year?

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

Yes. So, on the commercial mortgage loans, that is not the case. Now if they are in the LP structure, you do end up with a little higher RBC. Obviously, we are taking that into account as we look -- we talk a lot about having a risk-adjusted and capital-adjusted returns. So, when we look at these investments that are getting put on schedule BA and having a little RBC charge, we make -- we look at that and make sure that we are getting that as an appropriate lift, if you will, to pay for that additional capital.

**Thomas George Gallagher** - Evercore ISI Institutional Equities, Research Division - Senior MD

Gotcha, okay thanks.

**Frank M. Svoboda** - Globe Life Inc. - Co-Chairman & Co-CEO

And I will just clarify, there is some piece of that infrastructure is one of them, there is also just straight credit LPs, we are looking just at some private credit strategies. And I would -- keep in mind, all of these are managed by outside, and we are partnering with JP Morgan, Goldman, PIMCO, Ares, MetLife. So, we have several different partners that are helping to -- we are investing these through.

**Thomas George Gallagher** - Evercore ISI Institutional Equities, Research Division - Senior MD

Okay thanks.

**Wes Carmichael** - Autonomous Research – Research Analyst

Yes, thank you for taking my follow-up. Just one on American Income. I think you said the midpoint of your guidance on agent count and sales growth, is low to mid-single digits. And I think that is a slowdown from what you were expecting last quarter. And I guess I am just curious, is that slowdown you are anticipating from negative press or litigation, and are you actually seeing that show up yet?

**J. Matthew Darden** - Globe Life Inc. - Co-Chairman & Co-CEO

Like I mentioned earlier, we are really not seeing it in our recruiting pipeline, which I think is where it would show up first. So, we just revised down slightly to low single-digit growth on the agent count side and mid-single-digit growth on the sales side. And just again, it is too early to tell, but we are really not hearing much from the field related to any sort of disruption or concerns. So just trying to be cognizant of what is out there, and it is early days.

**Wes Carmichael** - Autonomous Research – Research Analyst

Thank you.

**Operator**
Thank you, sir.
Ladies and gentlemen, that will conclude today's question-and-answer session. I turn the call back over to Stephen Mota for any additional or closing remarks. Thank you.

**Stephen Mota** - Globe Life Inc. - Sr. Director of Investor Relations

All right. Thank you for joining us this morning, those are our comments, and we will talk to you again next quarter.