Q3 2025 Globe Life Inc Earnings Call

OCTOBER 23, 2025 / 11:00 AM ET

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PRESENTATION

Stephen Mota - Globe Life Inc - Senior 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, 2024 10-K, and any subsequent Forms 10-Q 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 Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Thank you Stephen, and good morning everyone. In the third quarter, net income was $388 million or $4.73 per share, compared to $303 million or $3.44 per share a year ago. Net operating income for the quarter was $394 million or $4.81 per share, an increase of 38% over the $3.49 per share from a year ago. On a GAAP reported basis, return on equity through September 30 is 21.9% and book value per share is $69.52. Excluding accumulated other comprehensive income, or AOCI, return on equity is 16.6% and book value per share as of September 30 is $93.63, up 12% from a year ago.

Before I discuss the third quarter insurance operations, I would like to revisit the nature of the market we serve.

As most of you know, we serve the lower middle to middle income market. This market is vastly underserved and has significant growth potential, providing us with a distinct competitive advantage. This advantage is protected due not only to our ability to efficiently reach this market through both exclusive and Direct to Consumer distribution channels, but also due to the tremendous amount of data and experience we possess as we have been in the same market for over 60 years with essentially the same products. The basic protection life and health insurance products we offer are specifically designed to help provide financial security to consumers in this market.

We continue to be proud to serve this market and are grateful for the opportunity to help working families protect their financial future.

In our insurance operations, total premium revenue in the third quarter grew 5% over the year-ago quarter. For the full year 2025, we expect total premium revenue to grow approximately 5% as well, which is slightly higher than in 2024 and consistent with our 10-year average growth rate.

Life premium revenue for the third quarter increased 3% from the year- ago quarter to $844 million. Life underwriting margin was $482 million, up 24% from a year ago, driven by premium growth plus remeasurement gains due to good mortality experience, including the updating of both mortality and lapse assumptions. For the full year, we expect life premium revenue to grow between 3% and 3.5%. As a percentage of premium, we anticipate life underwriting margin to be between 44% and 46%.

In health insurance, premium revenue grew 9% in the quarter to $387 million and health underwriting margin was up 25% to $108 million due primarily to premium growth and remeasurement gains. For the year, we expect health premium revenue to grow in the range of 8% to 9% and anticipate health underwriting margin as a percent of premium to be between 25% and 27%.

Administrative expenses were $90 million for the quarter, an increase of 1% over the third quarter of 2024. As a percent of premium, administrative expenses were 7.3%. For the year, we expect administrative expenses to be approximately 7.3% of premium, the same as in 2024. I will now turn the call over to Matt for his comments on the third quarter marketing operations.

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Thank you Frank. I would like to start with a few comments about our exclusive agency force. We currently have over 17,500 exclusive agents that sell only for us. These agents are the strength to grow Globe Life. While we frequently see short-term agent count fluctuations in a stairstep pattern, this agency force has consistently generated significant long-term growth.

In fact, the average agent count has nearly doubled over the past 10 years. The ability to maintain and grow an exclusive agency force is a core competency of our company. As a reminder, we typically recruit individuals who have not previously sold insurance and are looking for a better opportunity. This provides us with an enormous pool of potential recruits that provides a tremendous growth opportunity going forward. As we have mentioned in the past, there is a very close correlation between sales growth and agent count growth over the long term.

And we are confident that our agent force will continue to grow, and our goal is to surpass 28,000 exclusive agents and $1.4 billion in annual sales by 2030.

Now I will discuss each distribution channel.

First, let's start with our exclusive agencies, American Income, Liberty National and Family Heritage.

At American Income, the life premiums were up 5% over the year-ago quarter to $451 million. And the life underwriting margin was up 18% to $261 million.

In the third quarter of 2025, net life sales were $97 million, flat compared to a year ago. But as a reminder, we had a difficult comparable this quarter as American Income had a 19% increase in life sales in the year-ago quarter. The average producing agent count for the third quarter was 12,230 up 2% from a year ago. We are currently focused on initiatives to enhance our recruiting as growth in agent count will lead to future sales growth.

At Liberty National, the life premiums were up 5% over the year-ago quarter to $98 million, and the life underwriting margin was up 57% to $70 million.

Net life sales were $24 million, flat from the year-ago quarter, and net health sales were $8 million, up 4% from the year-ago quarter. The average producing agent count for the third quarter was 3,847, up 1% from a year ago. We have a few initiatives underway that we expect to have a near-term positive impact. We have developed a new worksite enrollment platform designed to improve agent productivity and training. In addition, we are in the process of rolling out a new recruiting CRM which will further enable the use of data and analytics to enhance the recruiting process. I continue to be optimistic about the future growth of this agency.

At Family Heritage, the health premiums increased 10% over the year-ago quarter to $119 million, and the health underwriting margin increased 49% to $51 million. Net health sales were up 13% to $33 million, and this is due to an increase in agent count and productivity. The average producing agent count for the third quarter was 1,553, up 9% from a year ago. And this is 5 consecutive quarters of strong agent count growth for family heritage.

The continued focus of the past few years on recruiting and growing agency middle management has produced significant momentum and results.

Now let's move on to our Direct to Consumer channel. In our DTC division of Globe Life, the life premiums were down 1% over the year-ago quarter to $245 million while the life underwriting margin increased 29% to $114 million. While the life premiums were down slightly this quarter, net life sales were $27 million, up 13% from the year-ago quarter. I am very pleased to see this continued sales turnaround from the declining trend of recent years.

As we mentioned on our last call, we have implemented new technology to enhance our underwriting process. This technology is helping improve the conversion of customer inquiries into sales. Now as a reminder, the value of our Direct to Consumer business is not only those sales directly attributable to this channel, but the significant support that is provided to our agency business through brand impressions and sales leads.

We expect this division to generate approximately 1 million leads during 2025, which will be provided to our three exclusive agencies. Improved conversion of our Direct to Consumer leads across the enterprise allows us to increase our marketing spend and increase Direct to Consumer lead volume and marketing campaigns, which leads to sales growth in both our DTC and agency channels.

United American is our General Agency division, and here, the health premiums increased 14% over the year-ago quarter to $170 million, driven by the sales growth and Medicare supplement rate increases we have discussed previously. Health underwriting margin was $16 million, up $2 million from the year-ago quarter.

Strong activity across the entire agency resulted in net health sales of $25 million, an increase of approximately $9 million over the year-ago quarter.

Now I would like to discuss projections.

Based on the trends we are seeing, we expect the average producing agent count trends for the full year 2025 to be as follows: at American Income, an increase of around 2%; at Liberty National, an increase of around 4%; and Family Heritage, an increase of around 8%.

Net life sales for the full year 2025 are expected to be as follows: American Income, an increase of around 3%; Liberty National, an increase of around 1%; and Direct to Consumer, an increase of around 4%. Net health sales for the full year 2025 are expected to be as follows: Liberty National, flat; Family Heritage, an increase of around 13%; United American, an increase of around 50%.

Now let's move on to projections for 2026.

At the midpoint of our guidance, we expect sales growth for the full year to be as follows. For net life sales, we expect American income, to have mid-single-digit growth; Liberty National, high single-digit growth; Direct to Consumer, low single-digit growth.

For net health sales, we expect Liberty National, to have high single-digit growth; Family Heritage, low double-digit growth; and United American, mid-single-digit growth. I will now turn the call back to Frank.

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Thanks Matt.

We will now turn to investment operations.

Excess investment income, which we define as net investment income less only required interest was $37 million down approximately $3 million from the year-ago quarter. Net investment income was $286 million in the quarter, slightly above last year's third quarter. The low growth of net investment income is consistent with the low growth in average invested assets.

Required interest is up approximately 1% over the year-ago quarter, relatively consistent with the growth in average policy liabilities. As a reminder, the growth in average invested assets and average policy liabilities is lower than normal, primarily due to the impact of the annuity reinsurance transaction in the fourth quarter of last year, which involved approximately $460 million of annuity reserves being transferred to a third party along with supporting invested assets. Net investment income was also negatively impacted in the current quarter by lower average earned yield as compared to a year ago. For the full year 2025, we expect net investment income to be flat and required interest to grow around 2%, resulting in a decline in excess investment income of around 10% to 15% for the year. The growth in average invested assets for the full year is lower than normal due to the impact of the previously mentioned annuity reinsurance transaction as well as higher dividend distributions from the insurance companies to the Parent.

Now regarding our investment yield.

In the third quarter, we invested $279 million in fixed maturities, primarily in the municipal and industrial sectors. These investments were at an average yield of 6.33%, an average rating of A+ and an average life of 29 years. We also invested approximately $86 million in commercial mortgage loans and limited partnerships with debt-like characteristics at an average expected cash return of approximately 9%. None of our direct investments in commercial mortgage loans involved office properties.

These non-fixed maturity investments are expected to produce additional cash yield over our fixed maturity investments while still being in line with our conservative investment philosophy. For the entire fixed maturity portfolio, the third quarter yield was 5.26%, up 1 basis point from the third quarter of 2024.

As of September 30, the fixed maturity portfolio yield was 5.28%. Including the investment income from our commercial mortgage loans, limited partnerships and corporate owned life insurance investments, the third quarter earned yield was 5.46%. While we do own some floating rate investments, they are well matched with floating rate liabilities on the balance sheet.

Now regarding the investment portfolio.

Invested assets are $21.5 billion, including $18.9 billion of fixed maturities at amortized cost. Of the fixed maturities, $18.5 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 $1.1 billion due to the current market rates being higher than the book yield on our holdings.

As we have historically noted, we are not concerned by the unrealized loss position as it 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 comprise 43% of the fixed maturity portfolio compared to 46% from the year-ago quarter. This percentage is at its lowest level since 2003. As we have discussed on prior calls, we believe the BBB securities we acquire 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.

While the percent of our invested assets comprised of BBB bonds might be a little higher than some of our peers, remember that we have little or no exposure to other high-risk assets such as derivatives, equities, residential mortgages, CLOs and other asset-backed securities. Below investment-grade bonds remain at historical lows at $455 million compared to $556 million a year ago. The percentage of below investment grade bonds to total fixed maturities is just 2.4%. Our below investment-grade bonds as a percent of equity, excluding AOCI, are at their lowest level in over 30 years.

While there is uncertainty as to where the US economy is headed, we are well positioned to withstand a significant economic downturn due to holding historically low percentages of invested assets in BBB and below investment-grade bonds.

In addition, due to the long duration of our fixed policy liabilities, we invest in long-dated assets. As such, a critical and foundational part of our investment philosophy is to invest in entities that can survive through multiple economic cycles. In addition, we have very strong underwriting profits and long-dated liabilities so we will not be forced to sell bonds in order to pay claims. With respect to our anticipated investment acquisitions for the full year 2025, at the midpoint of our full year guidance, we assume investment of approximately $800 million to $850 million in fixed maturities at an average yield of around 6.4% and approximately $300 million to $400 million in commercial mortgage loans and limited partnership investments with debt-like characteristics at an average expected cash return of 7% to 9%.

Also at the midpoint of our guidance, we expect the average yield earned on the fixed maturity portfolio to be around 5.27% for the full year 2025 and approximately 5.29% for the full year 2026. With respect to our commercial loans, limited partnerships and corporate-owned life insurance, we anticipate the yield impacting net investment income to be in the range of 7% to 8% for 2025 and 2026. In total, including these additional investments, we anticipate the blended earned yield to be approximately 5.45% in 2025 and in the range of 5.4% to 5.5% in 2026. Now I'll turn the call over to Tom for his comments on capital and liquidity.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Thanks, Frank.

First, I will spend a few minutes discussing our available liquidity, share repurchase program and capital position.

The Parent began and ended the quarter with liquid assets of approximately $105 million. We anticipate concluding the year with liquid assets in the range of $50 million to $60 million. In the third quarter, the Company repurchased approximately 840,000 shares of Globe Life Inc. common stock for a total cost of approximately $113 million at an average share price of $134.17. Including shareholder dividend payments of $22 million for the quarter, the Company returned approximately $135 million to shareholders during the third quarter and approximately $580 million year-to-date. We expect share repurchases will be approximately $170 million and anticipate distributing approximately $20 million to our shareholders in the form of dividend payments in the fourth quarter. For the fourth quarter, share repurchases are higher than previously anticipated as we recently received approval for an extraordinary dividend from one of our subsidiaries, which will be -- which we anticipate will be available to support additional share repurchases by the Parent. At the midpoint of our guidance, we anticipate share repurchases will total $685 million in 2025.

In addition, we intend to distribute approximately $85 million to our shareholders in the form of dividends. We will continue to use our cash as efficiently as possible. We still believe that share repurchases provide the best return or yield to our shareholders over other available alternatives. Thus, we anticipate share repurchases will continue to be the primary use of the Parent's excess cash flow after payment of shareholder dividends.

The Parent Company's excess cash flow, as we define it, results primarily from the dividends received by the Parent from its subsidiaries less the interest paid on debt and is available to return to its shareholders in the form of dividends and through share repurchases.

We continue to invest in our growth through investments in sales, technology and the insurance operations. It should be noted that the cash received by the Parent Company from our insurance operations is after our subsidiaries have made substantial investments during the year to issue new insurance policies, implement new technologies, enhance operational capabilities, and modernize existing information technology as well as to acquire new long-duration assets to fund their future cash needs.

Financial strength is paramount to our company's success, and we believe the $500 million contingent capital funding arrangement established early in this quarter, will add to our already strong capital generation capabilities that exist within our insurance companies.

Now with regard to capital levels at our insurance subsidiaries.

Our goal is to maintain capital within our insurance operations at levels necessary to support our current ratings.

To do that, Globe Life targets a consolidated Company action level RBC ratio in the range of 300% to 320%. Although the target range is lower than many of our peers, it is appropriate given the stable premium revenue from the large number of in-force policies, the nature of our protection products with benefits that are not sensitive to interest rates or equity markets, our conservative investment portfolio and strong consistent underwriting margins, which result in consistent statutory earnings at our insurance companies. As we do every quarter, we performed stress tests on our investment portfolio under multiple economic scenarios, anticipating various levels of downgrades and defaults. If all estimated losses under our stress tests were to occur before year-end, which we believe is highly unlikely, we have concluded that we have sufficient capital resources exist within our subsidiaries and the Parent to maintain our target RBC range and our share repurchases as planned.

For 2025, we intend to maintain our consolidated RBC within the target range of 300% to 320%. As previously discussed, we continue to progress towards establishing a Bermuda reinsurance affiliate for the purpose of reinsuring a portion of new business and in-force life insurance policies issued by Globe Life affiliates. We currently estimate Parent excess cash flow will increase from incremental earnings from our US and Bermuda subsidiaries over time as the reinsurance block grows. This additional excess cash flow will enhance the financial strength of the company and provide additional flexibility, allowing the Company to meet various capital and liquidity needs of the Parent.

We continue to make progress on the required regulatory filings and subject to approvals, we anticipate executing the first reinsurance transaction by the end of 2025, and we will provide an additional update on our next call.

Now with respect to policy obligations for the current quarter.

Each year, GAAP accounting requires us to review and generally update actual assumptions for mortality, morbidity and lapses. We have chosen to review and update as necessary both our life and health reserve assumptions in the third quarter each year. The remeasurement exhibit included in our supplemental financial information available on our website includes the impact of these assumption changes as well as experience related remeasurement gains and losses by distribution channel.

When assumption changes are made, GAAP accounting standards require a cumulative catch-up adjustment going back to January 1, 2021, the transition date for LDTI. This cumulative catch-up is the assumption related remeasurement gain or loss. An assumption remeasurement gain lowers the reserve balances and indicates an improved outlook as less premium is needed to fund reserves to meet future policy obligations. The opposite is true if there is an assumption to remeasurement loss. For the quarter, the overall impact of both life and health assumption changes reduced policy obligations by $134 million, with life obligations reduced by $131 million and health obligations reduced by approximately $3 million indicating an anticipation of an improved outlook for future policy obligations.

To put this into perspective, total GAAP life and health reserves on our balance sheet are approximately $19 billion, so the adjustment to reserves is less than 1%. To better understand the performance of the business, we think it is beneficial to look at normalized underwriting margins, which exclude the impact of assumption changes and provide an improved basis for comparison of quarterly results. For the third quarter, normalized life underwriting margin as a percent of premium was 41.5% compared with 40.4% for the year-ago quarter, which is a notable improvement and reflects recent favorable mortality experience. Normalized health margin as a percent of premium was 27.2% compared with 27.5% for the year-ago quarter. For the Health segment, as expected, health margins as a percent of premium continued to increase from the first half of the year.

This is largely driven by margin increases from the Medicare supplement business as 2025 premium rate changes became fully effective.

So now with respect to guidance for 2025.

For the full year 2025, we estimate net operating earnings per diluted share will be in the range of $14.40 to $14.60, representing 17% growth at the midpoint of our range and 11% growth when excluding the impact from assumption updates in both '24 and '25. The midpoint is higher than our previous guidance due to the anticipation of continued favorable mortality experience.

Finally, with respect to 2026 guidance.

For the full year 2026, we estimate net operating earnings per diluted share will be in the range of $14.60 to $15.30 representing 3% growth at the midpoint of the range. The growth rate is lower than historical averages given the significant impact of the assumption updates in 2025. At the midpoint of our guidance, we anticipate total premium revenue growth of 6% to 7%, with life premium revenue growth growing 4% to 5% and health premium revenue growing 9% to 11%. We anticipate underwriting margins as a percent of premium to be in the range of 40% to 43% for life and 24% to 27% for health. We anticipate net investment income growth will be approximately 3%.

Although 2025 statutory results are not final for the year, we anticipate Parent excess cash flows available to return to shareholders through both dividends and share repurchases in 2026 will be approximately $600 million to $700 million. This is greater than the amount available in 2025, excluding the impact of extraordinary dividends. On the next call, I will provide an update as we get updated statutory results for 2025 and after we finalize the initial reinsurance transactions for the new Bermuda subsidiary. Those are my comments, and now I will turn it back to Matt.

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

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

QUESTIONS AND ANSWERS

Jack Matten – BMO Capital Markets - Analyst

Hi, good morning. First question was just on the life sales growth of the exclusive agencies. Just wondering is there anything you are seeing or hearing from customers that is driving more muted sales growth in recent quarters? Is the challenge really around agent productivity given that you currently have a higher mix of newer agents? And I guess looking forward, what gives you confidence that life sales growth can reaccelerate in the coming quarters?

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Yes. Thanks Jack, for the question. It is not anything we are hearing from a consumer perspective as we talk with our agency owners. We are actually seeing an improvement in the premium on a per sale basis. And so we are not seeing any demand weakening from a consumer perspective.

It really does get back to that agent count growth. And what I would point to is usually followed-- years that follow significant growth years, we do temper the growth a little bit as we get those new agents onboarded, start producing, and then they start moving into the middle management ranks. And then the middle managers out there in the field are responsible for a lot of the recruiting, training and onboarding. And so as I have mentioned before, one of the things we look at is just our whole recruiting pipeline.

What we are talking about on the call on our agent count is those agents that are actually up and producing for us, but we look at what the agents are in the pipeline coming in as they get onboarded and licensed and trained, et cetera. And so our hires for AIL are actually up this quarter by 17%.

And so this is individuals that have started into the process; their in the process of taking exams, getting their licenses and in the move forward into training and selling their first policy. And so it is a good leading indicator for us.

And so some of those trends are what we are seeing that gives us the confidence that 2026 will have a higher agent count growth, which bodes well for sales growth for 2026, as well as we have looked at some of our incentive programs and just getting our middle management focused on growing the agent count by recruiting activities and onboarding also plays into our consideration for our sales growth guidance.

Jack Matten - Bank of Montreal - Analyst

Got it, thank you. And my follow-up on excess cash flow. I think you said that the guidance for next year is $600 million to $700 million. I mean, does that include any assumption or an incorporation of a benefit from the Bermuda entity? I guess related to-- you called out, I think, an extraordinary dividend this quarter. Any other updates you can or color you can provide on that? I think it looks like you sort of upped the buyback guide for the full year by $50 million or $60 million. So just making sure I have the numbers right there.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yes. Thanks, Jack. The $600 million to $700 million does not include any benefit from the Bermuda affiliate. We -- it takes at least two accounting periods. The rules require two accounting periods for reciprocal jurisdiction.

So we think the earliest time at this point would be 2027. And as I mentioned on prior calls, we will try – we will work with and try to get reciprocal jurisdiction earlier, but it is just really not up to us. It is really up to the regulators to accept reciprocal jurisdiction status.

Andrew Klingerman - Cowen and Company LLC - Analyst

Hey, good morning. First question, just kind of following up on Jack's about the sales growth outlook and the recruiting outlook. You mentioned, Matt, on the comments earlier that you've got a newer worksite enrollment platform and new recruiting CRM with different kinds of data and analytics. These are two things, they sound very interesting. Could you elaborate a little bit more on that and how they work and why they are different and why they will have an impact?

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Sure. So Liberty, as you may recall, about 75% of our business is marketed at work sites for those smaller employers. And we have rolled out -- or we are in the process of rolling out technology that is a new enrollment platform, and it really takes some of the lessons that we have learned in our processes on our individual sales and it really -- where an agent sits down with the client and really goes through and you have heard us talk about a needs-based analysis. And so on the worksite side, we put some more tools in the hands of our agents where they sit down with the customer, go through their needs and help customize a package appropriate for them of the various different coverages and types of policies. And as I said, we are early on and rolling that out, but on the first few agencies that we have rolled that out, we have seen significant increase in premium production on a per worksite basis as well as just a per sale basis. And it exceeds 20-plus percent on the increase there. And so we anticipate as that gets rolled out across the entire agency, which will take into the beginning of next year, that is really going to be a tailwind for our worksite sales growth there. And then the recruiting CRM system, right now, a lot of our agencies are tracking that manually with spreadsheets and those type of things.

And so just like a sales CRM system, the recruiting CRM system is going to have all of that data in one place to be able to-- for our agency owners and those middle managers to be able to have the data and the analytics they need to really understand their recruiting pipeline, much more on a real-time basis so they can see what is happening during the week as people start listening to our opportunity, come back for the different interviews, get through the various phases of taking the test, getting licensed and ultimately producing. And so what we have seen with some of our agencies that utilize more of a system that they have developed on their own, it is definitely an improvement for them to be able to manage all of that activity.

And so we are designing a system that will be enterprise-wide, roll that out to the organization, and it will just give us a more real-time view into the recruiting pipeline and being able to manage the various conversion points that happen throughout the life cycle of a new person coming into the organization and getting up and producing.

Andrew Kligerman – TD Cowen and Company LLC - Analyst

Sounds very impactful, thank you for that. And then my follow-up is still on the sales area, Direct to Consumer. And I think the stats you mentioned on the call were that while sales in Direct to Consumer were up

13%, premiums were down 1%. I am kind of curious maybe a mesh of a question here. I am kind of curious as to the policy retention ratio in Direct to Consumer?

And then secondly, you mentioned low single-digit sales in Direct to Consumer next year. Is that just because you are going to — you are having a really good second half of 2025 that you do not want to get too aggressive?

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Yes. Let me address your first part of that question. Related to -- if you think about it, we have got a big in-force block. And so we have been discussing sales declines for quite some time over the last couple of years. And so those sales declines are hitting you know that earn premium growth rate.

And so we have only had two quarters now of positive sales growth, and it has been very strong and we anticipate that continuing. So the premium earnings are going to turn around as we continue to have positive sales growth. But that is just kind of the dynamic you are looking at from this quarter's perspective. And so we are very pleased. As we mentioned, this is technology and processes we have been working on for quite some time. They are coming to market here in Q2 and Q3, we are seeing the results. And so we are – we have got very strong results here. And so we are just kind of cautiously optimistic as we are-- at this point, before we see what fourth quarter looks like as we think about next year. And so I would just say that is a good estimate right now based on what we are seeing early days. We will certainly modify that as we have Q4 experience.

But obviously, we have got a pretty good lift here in the last half of this year. And so we just want to be a little bit cautious about what we think at this early stage for 2026.

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Andrew, one thing I would just like to tack on to that is -- really the decline in the premium growth rate here that we are seeing in 2025 really has more to do with those -- the declining sales that we have been seeing here in the recent periods. Really, if you look at the lapse rates for DTC overall, they are pretty consistent with our long-term averages. We have actually seen very good lapse rates, favorable lapse rates, if you will, in our renewal. Once the policies have been on the books here for several years, really seeing with our renewal premium-- seeing a little bit higher in some of the first year the last few quarters. But again, it is really stabilized when you look at it overall, it is pretty consistent with our long-term rates.

And then I think with -- as we are getting a little bit of that ability, as Matt was talking about, reinvesting some of those dollars and improving those sales we really do anticipate some growth in premium -- overall premium income in 2026. And then assuming that, that continues on with growth in that low to mid-single digits on the sales side, and that will help to bring up the premium growth then as well.

Andrew Kligerman – TD Cowen and Company LLC - Analyst

Thanks very much for the in-sights.

Jimmy Bhullar - JPMorgan Chase & Co - Analyst

Hey, good morning. I had a couple of questions. Maybe first just on your 2025 guidance. If we look at what that is implying for EPS in 4Q, it seems like it is $3.25 to $3.45, so that's a lower number than you've had in the most recent quarter even at the high end, if you take out the remeasurement gain. So wondering if you are seeing anything in the business that suggests you to be conservative? Or just any color on sort of the guidance -- the implied guidance for 4Q?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Thanks, Jimmy, for the question. Yes, the $0.05 raise reflects the favorable third quarter results and anticipated fourth quarter results. One thing I would say is third quarter, we benefited a little bit from timing on a couple of items. So for instance, we had a research and development tax credit that came through in the third quarter that we had planned for the full year, but just the timing was favorable to us. The other thing is that really mortality experience was really very favorable in the third quarter.

And you kind of can see that from -- we expected remeasurement gains, but the remeasured gain life, excluding assumption updates was $18 million. So that is indicative of a pretty favorable quarter. And we -- to us, it is a fluctuation at this point. We would love to see that emerge in 2024, but it is not really -- sorry, in the fourth quarter, but it is not really in our guidance for the fourth quarter. And that would -- if it does come through, that would put us, I think, at the higher end of our guidance range.

The other thing is health experience was very favorable as well in the third quarter that we really wouldn't expect that to continue in the fourth quarter either for both life and health. Fourth quarter claims tend to tick up a little bit just from a seasonal perspective, where we are starting to get in the flu season for life and then at the end of the year, people start visiting the doctor a little bit more and try to get some of those medical visits in. So we do see a little bit of an uptick oftentimes in the fourth quarter. So those are some of the things impacting kind of our fourth quarter EPS expectations, but I am glad to see that we also raised the guidance by $0.05 at the midpoint.

Jimmy Bhullar - JPMorgan Chase & Co - Analyst

Okay. And then secondly, could you comment on what you are expecting in terms of trends and sales in the health business. There has obviously been a lot of concern about margin compression at some of the major medical companies in various products.

Your margins had gone down too, but they seem to be recovering. Should we assume that, that continues into 2026 as you implement price hikes?

Or -- and then similarly, with a lot of companies indicating that they are going to raise prices on Med Advantage plans do you -- are you seeing that happen? And how is that affecting demand for your Med supp product?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

I will start first, Jimmy, on the health trends we are really pleased with the third quarter with Medicare supplement and the group retiree health trends. They are favorable to our expectations, which is great. And we have really seen the medical trend claim cost trends really flatten, which is actually a nice sign for us. So we actually have built in the experience that we saw late in the fourth quarter of -- third and fourth quarter of 2024 as well as the experience we have seen in the first half of 2025 into our rate increase requests to regulators, and we really believe that those rate increases will bring us back to target profitability. Again, those get implemented throughout 2026.

So in the first quarter, I think it is going to look a little bit more like 2025, but in the second, third and fourth quarter of 2026, I think we would see an increase in margins just because of the rate increases becoming effective then.

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

And then, Tom, isn't it fair to say that recent experiences we are just kind of seeing trend moderate a little bit. We had some acceleration of that in Q3 and Q4 of last year.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Exactly. Certainly, third quarter trend moderated.

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

And then, Jimmy, to answer your second part of your question, yes, we are seeing that related to the Med Advantage, which we do not write, as you know, that market is providing a tailwind as price increases happen or carriers pull out of the market. It's definitely been a tailwind for us. It is hard to say now what 2026 will look like. That's why we kind of have a moderate growth, considering the significant sales growth that we have had for 2025.

And so really, we need to see what happens here over the next quarter or two. But right now, I do believe it will be a tailwind for us to continue to grow those sales in a profitable way, as Tom mentioned, related to our price actions. But a lot of dynamics, as you know, going on in that market. And so things change quite a bit, but currently, I think we are getting some benefit from a little of that disruption that's going on in the Medicare Advantage space.

Jimmy Bhullar - JPMorgan Chase & Co - Analyst

Thank you.

John Barnidge – Piper Sandler Inc - Analyst

Good morning, thank you for the opportunity. So my question is around health. The performance and production in the third quarter was not really that far off from the level you produced in the fourth quarter of a year ago. And I know there is seasonality, it would really occur in the fourth quarter, and I understand you updated your sales assumptions. But this is more of a broader question. What are you seeing in the distribution environment and we all have parents in the baby boomer generation which is aging?

Is there a portion of the cohort that more and more is in need of your products that will be secular in nature and more extended beyond just what we have seen in recent years? Thank you.

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Well, like I said, I just kind of go back to the conversation around where you know-- to the extent that there is -- Medicare Advantage has been growing for quite some time with just the appeal from a -- I think from a pricing perspective, some of those were offered at very low premiums or if not virtually free. And so I think now with some of what's happening on the profitability side, you see carriers increasing the rates.

And so we kind of have a different customer in the Medicare supplement space where people are willing to pay for choice and willing to pay to keep their providers or be able to have the freedom of choice to go to who they want to. And so I think that will always be there for a segment.

There is, of course, a segment of the market that was kind of on the bubble that may move back and forth depending on when they sign up what's appealing at that point. But I think there will always be a place for Medicare Advantage from our product portfolio perspective.

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Medicare supplement.

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Oh, sorry, Medicare supplement, excuse me. I think there will always be that opportunity for us. It just --as we have seen over a long period of time, we have been in this business forever. It ebbs and flows just a little bit with what's going on in the overall broader market. So we feel good from a long-term perspective but just recognize there is going to be short-term disruption as we have pricing and competitive pressures in that marketplace.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

I do think there is some demographic characteristics of growing retirement-- a number of people that are in retirement and those that are retiring over the next few years is also a favorable dynamic that will support continued product sales.

John Barnidge – Piper Sandler Inc - Analyst

Thank you very much. My follow-up question. Shortly after the last call, the DOJ and SEC investigations concluded. Is the EEOC investigation still ongoing? And what's your visibility into that taking care of itself? Thank you.

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

As a reminder, the EEOC findings are not binding -- litigation has to actually be initiated, and there is no pending litigation. So I do not really have anything to update from that perspective is just -- it is kind of status quo.

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Yes. And John, I would just remind you that the courts have with respect to just the whole independent contractor or employee issue, the courts have addressed this issue in the past several times with regard to AIL sales agents and have always found that they have been appropriately classified. So if there are any lawsuits, we would vigorously defend those.

John Barnidge – Piper Sandler Inc - Analyst

Thank you for the answers this morning.

Joel Hurwitz - Dowling & Partners - Analyst

Hey good morning. Tom, on excess cash flow generation, the $600 million to $700 million is above the $500 million to $600 million run rate you mentioned a few quarters ago. I guess, what's the driver of the increase there? And is that level sustainable going forward before factoring in Bermuda benefits?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yes. Thanks. I really do believe that it is sustainable. I think it is indicative of the improving trends that we have seen in mortality. To the extent that health margins continue to improve, that will be a tailwind for future years.

And I also-- I think the investment income environment or the investment yield environment, 2025 was more favorable than 2024. So as long as that stays consistent, I think we will also benefit from higher yields going forward.

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Yes. Then I would just remind you that the $500 million to $600 million range that I think Tom has talked about on prior calls was the amounts available for shareholders or share repurchases after dividends. And when Tom is talking about the $600 million to $700 million that is the total excess cash flow. And so if you assume around $80 million, $85 million of dividends, shareholder dividends being paid out of that, that brings you back into the mid-$500 million consistent with what Tom had talked about before.

Joel Hurwitz - Dowling & Partners - Analyst

Got it. That makes sense. And then just a follow-up. In terms of the 2026 guidance and the margin guidance for life, does that factor in any expectation for remeasurement gains?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yes, thanks. The -- with mortality, we just updated assumptions. As I mentioned, third quarter remeasurement gains, excluding the assumption update impact were very favorable as well, right? So we do expect that the -- our assumptions that our mortality is performing-- we are getting mortality results which are better than our assumptions, and we anticipate that mortality experience to continue into 2026, which we would then expect continued remeasurement gains relative to the assumptions that we just set.

And so I think the important thing, I think, to pay attention to is what are the obligation ratios that are emerging. And are those obligation ratios staying similar to what we have seen in the third quarter. And I think that those -- that really is kind of the more -- the thing that I pay attention to more. I think as we see remeasurement gains, if we see continued positive remeasurement gains I think that's a leading indicator that we might have an assumption change. And so I think that's kind of what I would take from looking at remeasuring gains themselves.

But the absolute number that I pay attention to would be policy obligations and I would normalize those policy obligations for assumption updates.

Joel Hurwitz - Dowling & Partners - Analyst

Okay, thank you.

Wes Carmichael - Autonomous Research - Analyst

Hey good morning, thank you. Just wanted to circle back to Bermuda real quick. Just curious has there been any progress with the BMA or other regulators, and should we expect any change to your expectations on uplift to free cash flow or the timing there? I think you had previously mentioned $200 million and maybe that's in 2027, but I just wanted to see if that still stands.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yes. Previous comments were $200 million trending over time. So over time, to $200 million of benefit. We have -- Bermuda has approved our business plan. We have started -- we have established the company.

We are going through the licensing process, and we are going through US regulatory approvals for the reinsurance transactions and the transfer of assets to the new entities. So we are in the middle of the approval process. And once we get that, then we can actually execute on that first reinsurance transaction.

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

And John, I would think that we have not seen anything at this point in time that would really change what we said with respect to amount or timing at this point. I think as we kind of get the final approvals, I think we should be pretty close to being able to really give a little bit more guidance early next year on what that kind of looks like and maybe a little bit more sense of what that timing might be too.

Joel Hurwitz - Dowling & Partners - Analyst

Got it, thank you. And second question, I just wanted to come back to your comments on floating rate exposure. I think you mentioned that assets and liabilities are well matched. But how should we think about sensitivity of your NII if we get additional Fed cuts from here?

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Yes. I think it is around $1 million that -- for a 1% change in the short-term rates.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

But I also think that there is a -- the geography of the change is -- happens in a few places, which is required interest would also go down a little bit if short-term rates went down. And then we have floating rate debt as well, which would also go down as well. So we would see a little bit reduction in financing costs, which is part of one of the offsets. So your $1 million is really a combination of the two.

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Yes.

Ryan Krueger - Keefe Bruyette & Woods Inc - Analyst

Hey good morning. I just had a couple of quick ones. Can you give us a couple more details on your 2026 guidance in terms of admin expenses and excess NII growth?

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Yes, Ryan. I think admin expenses, we still expect to be around 7.3% of premium, so very stable with 2025. So we are pleased with respect to that.

And then with respect to net investment income, we probably see being up around 3% and required interest probably being a little bit higher than that, closer to maybe a little bit closer to 4%.

Ryan Krueger - Keefe Bruyette & Woods Inc - Analyst

Got it, thanks. And then for the -- I guess, what did you assume for buybacks? I assume it is just the $600 million to $700 million of free cash flow minus the $85 million dividend, just want to confirm.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yes, I think that's a reasonable way of looking at it.

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Yes. I think that's right. And then it is really, again, fairly well spread out over the course of the year at this point in time with respect to the buyback. One thing else I would note, Ryan, is that you think about -- bring the conversation around some of the floating rates, we do anticipate that interest-- our financing costs will be down a little bit next year as compared to 2025, just given some of the floating rate exposure we have there on the CP balances and our term loan. We do -- we just follow the economists forecast with respect to what the expectations are around those changes in the short-term rates.

Ryan Krueger - Keefe Bruyette & Woods Inc - Analyst

Great thank you.

Elyse Greenspan - Wells Fargo Securities LLC - Analyst

Hi thanks. I guess my first question, given, I guess, your comments around share repurchase as well as, I guess, the plan outlined for next year. It feels like, I guess, M&A is still less likely, but I was just hoping to get some updated thoughts there.

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Yes. I would say M&A is always in our minds, it is not foremost, if you will, in that we do not feel compelled that we have to do M&A transactions.

So we are very comfortable with our ability to grow organically. And so with our baseline as we think about guidance, we anticipate that the excess cash flows would, in fact, be used for share repurchases. Now if an opportunity came along, that provided us a better return and a better answer to our shareholders than using that money for share repurchases then we would clearly divert some of that money and make a good positive acquisition.

I think as we think about M&A, it is still really being very focused on opportunities that really improve the core of who we are around being able to provide protection-oriented products in the middle and lower middle income markets. And we really like distribution that comes along with that ability.

So it is something that we feel that we can come in and help to grow much like the acquisition Family Heritage over 10 years ago now, but an organization that is really hitting its stride as far as continuing to grow. So we will also look for opportunities that there are for -- to help us within our operations and to make those operations more efficient, but that becomes the value proposition there that we would be looking for.

Elyse Greenspan - Wells Fargo Securities LLC - Analyst

Thanks, and then I guess my second question, just given the focus right on agent recruitment, would you expect, I guess, the sales guidance in life to be more back-end weighted? Or I guess, maybe there is some easier comps to start the year. Just if you could kind of help us think about the cadence there?

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Sure. As we have talked about before, it is definitely a momentum game with the agent count being a leading indicator for the sales growth. So early Q4 is good for us. And then as you might imagine, around the holidays and things like that, there is a little bit of slowdown and then picks up back again mid-January and moving forward. So the first quarter of the year definitely has an impact of determining what the entire year looks like.

We are seeing some good, as I have mentioned, positive momentum from our hires, which is a leading indicator for new agents. And so we have got hires up at 15% at Liberty and 17% up at AIL compared to a year ago. And so I think that bodes well for where we are at for Q4 and leading into Q1 of next year. But there is typically a quarter or two lag, I will say, between good increase in agent count growth and then the sales growth comes as some of those agents get onboarded, producing and get a little bit more experienced. But I do agree with you, also you have to kind of go back and look at -- we are talking about quarter-over-quarter. You got to look at comps from the prior year quarters to kind of really think through that. But right now, as we had indicated, I think Liberty is set up well to have high single-digit growth next year and AIL in that mid-single-digit growth range.

Elyse Greenspan - Wells Fargo Securities LLC - Analyst

Thank you.

Suneet Kamath - Jefferies LLC - Equity Analyst

Hi, thanks. First question, just in your prepared remarks, you talked about an extraordinary dividend. I was just curious if you could size that. And was that a 2025 event? Or is that something that is going to show up in 2026?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yes it was a 2025 event, and it was $80 million.

Suneet Kamath - Jefferies LLC - Equity Analyst

Got it. And then I guess on this whole remeasurement mortality thing. I guess the way I think about it, and maybe I am wrong, is every third quarter, you true-up your assumptions to your best estimates. But if you expect that mortality will still continue to improve or remain favorable, why would that not be in your best estimates at this point?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

I think we just really want to see it emerge quarter-to-quarter before we actually put it into our valuation assumptions. There has been some discussion about do we have a pull forward of deaths from the pandemic. And so we are just patient in making those changes into our overall long-term assumptions. So again, they are long-term assumptions. And so we do see short-term trends that actually influence us in our judgments, but we want to really focus on kind of where we believe the long term is.

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Yes. To me, that is the key. It is very much a long term over the life of the business assumption, and we can have differences in the short run that are different from that. And I think—Tom is this a fair assessment that we are fairly close to kind of pre-pandemic levels from a long-term assumption perspective. But some of our recent experience is actually more favorable than that.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

That is exactly right Matt.

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

So we are reluctant to move it back to a short-term very favorable position at this point.

Suneet Kamath - Jefferies LLC - Equity Analyst

Okay, thanks.

Thomas Gallagher - Evercore Inc - Analyst

Hi, first question is the long-term assumption changes that were made in 3Q, how much of a go-forward earnings boost is that -- will that result in, in terms of prospective earnings?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yes. I actually -- I reflected those in my comments around normalized underwriting margins that we saw for the quarter. I think that is a good way to kind of think about the go-forward normalized and also just the range that I gave you for underwriting margins in general for each of the life and health. I think that is a reasonable range for where we see life underwriting income coming in or life underwriting margins and health underwriting margins.

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Yes. So Tom, if you look at it back in 2024, your normalized margins were closer -- a little under 40%. And now we are a little bit closer to 41%. I think Tom noted that maybe 41.5% for Q3 and maybe for the full year, we are closer to 41%. So you see a little bit of that uptick. And that really comes from having the lower policy obligations as a result of that assumption change.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

It is exactly right. I mean in 2023, we were 38%. In 2024, we are 39.7%. In 2025, we are right around 41%. It is really demonstrating the significant improvement in mortality we have seen over time.

Frank Svoboda - Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

And so something that as you think about those remeasurement gains, the normal fluctuations, if you will, each quarter as we continue to see positive experience below those long-term assumptions you know, you will still end up with some positive remeasurement gains, but that is really just showing that the book of business is still performing really better than the long-term assumptions and over time just by the nature of the long-term assumptions we would not-- we currently anticipate that eventually they will kind of revert back to those long-term assumptions. And -- but what we are seeing right now, as Tom was talking about. We do anticipate the trends that we are seeing right now-- saying that we anticipate those continuing on in 2026. As we get more experience as that emerges over time, then we'll either change our long-term assumptions or ultimately have fewer remeasurement gains.

Thomas Gallagher - Evercore Inc - Analyst

And just relatedly, just to clarify, are there any long-term assumption change benefits embedded in your 2026 guidance? Or is it only some assumption of sort of current period remeasurement gains that you are assuming?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yes. The way we are thinking about that is the range that we have provided, the top end of the range would be indicative of a number of things, but one of those possibilities could be an assumption update that comes through. And so we have tried to factor in, in the scenarios that we look at in determining the range of an assumption update of what that might do to the results overall.

Thomas Gallagher - Evercore Inc - Analyst

Got you. So high end would have something in it for that?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Correct.

Thomas Gallagher - Evercore Inc - Analyst

And then just, I guess, final question, if I could, in terms of thinking about I think you mentioned the actuarial assumption update was under 1% of reserves. Just to sort of compare how favorable the remeasurement gains are and quantifying it. I assume they are running well better than 1% of your long-term assumption in terms of current experience. And that is the reason you pointed out that the reserve release was under 1%. Can you quantify how -- like right now, if you just isolate to 3Q, how much more favorable is that running? Is it 3%? Is it 5%? Is it 10%? Can you give sort of an indication of comparing 1 versus the other? Thanks.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

That's a hard question to answer directly. What I would point to is, again, kind of looking at normalized underwriting margins and normalized policy obligations. And I think that really -- the normalized policy obligations is really the underlying metric that reflects the actual experience that is coming through. And I think that is kind of where I put a little bit of focus as far as looking at those trends.

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

And I think the point of the 1% comment was just recognizing that a small change in an assumption can have a decent size impact in the current quarter and -- on a dollar-wise but not as a percent of reserves. And it is a cumulative catch-up from the day of transition. And so just slight tweaks to long-term assumptions can have a decent impact. So it is just really reflective of the reserve balances moving significantly at 1%.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

I think what is also important there is what it is telling us, right, is when we have an adjustment from the assumptions that brings down reserve levels, that says that we have -- and I mentioned in my comments that we have a more favorable outlook of future profits from that business or future-- that we need less premium to fund the benefits that we have promised to our policyholders. So that is a really, I think, a good indication of just kind of how the business is performing and how we think it is going to perform.

Thomas Gallagher - Evercore Inc - Analyst

Okay, thank you.

Maxwell Fritscher - Truist Securities - Analyst

Yes, thank you. I am calling in for Mark Hughes. Just further digging into DTC, how does this conversion rate lead to sales compared to historically in the same channel?

And then is that elevated compared to recent experience in DTC? Or are conversions high historically?

Matt Darden- Globe Life Inc - Co-Chief Executive Officer, Co-Chairman of the Board,

Yes. So the technology improvements that we have put in and just process improvements is that-- keep in mind, Direct to Consumer sale is fairly passive, the customer fills out an application. Well, in some of those instances, based on how they fill out the application, we have follow-up questions, or we have information from data perspective related to some medical questions that we need to follow up on. And so there was times when we could not get a hold of a customer.

And therefore, that policy just never got issued, it pended out. And so now with more advanced data and analytics, we knew there was some good risks in there that we want to go ahead and issue but trying to get past some of this friction. And so we are issuing those policies now without really changing our risk profile. So the conversions ratio has gone up just in the last couple of quarters as that has been implemented. And again, that is kind of a onetime adjustment upward for a new conversion ratio that we would expect on a go-forward basis and an improvement.

The other thing that is going on in the Direct to Consumer channel though, is that as we have a better conversion of those advertising spend across the entire organization, you have heard me talk about in the previous quarters how we scaled back advertising from unprofitable different campaigns. We are able to go back into those campaigns and other campaigns because the profitability metrics have changed because now I am issuing more policies with the same advertising spend. And so that is why I said in my comments that the-- that program and the conversion of looking at it enterprise-wide, meaning Agency and Direct to Consumer allows us to spend more money on advertising, and that is growing sales, both in our direct to consumer channel as well as giving more leads and growing sales in our agency channel. And so that is what we are very pleased about is all of those channels working together from a growth perspective.

Maxwell Fritscher - Truist Securities - Analyst

Great that is very helpful, thank you.

Operator

There are no further questions in queue. I will now hand it back to Stephen Mota for closing remarks.

Stephen Mota - Globe Life Inc - Senior 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.