Third Quarter 2019 Conference Call

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C O R P O R A T E P A R T I C I P A N T S

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Larry M. Hutchison Globe Life Inc. - Co-Chairman & CEO

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P R E S E N T A T I O N

Michael C. Majors - Globe Life Inc. - EVP of Administration & IR

Thank you. Good morning everyone. Joining the call today are Gary Coleman and Larry Hutchison, our Co-Chief Executive Officers, Frank Svoboda, our Chief Financial 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 2018 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 Gary Coleman.

Gary L. Coleman - Globe Life Inc. - Co-Chairman & CEO

Thank you Mike, and good morning everyone. In the third quarter, net income was $202 million or $1.82 per share, compared to $179 million or $1.55 per share a year ago. Net operating income for the quarter was $192 million or $1.73 per share, a per share increase of 9% from a year ago.

On a GAAP reported basis, return on equity as of September 30 was 12%, and book value per share was $65.96. Excluding unrealized gains and losses on fixed maturities, return on equity was 14.7% and book value per share grew 10% to $47.58.

In our life insurance operations, premium revenue increased 4% to $631 million, and life underwriting margin was $181 million, up 8% from a year ago. Growth in underwriting margin exceeded premium growth due to higher margin percentages in all distribution channels. For the year, we expect life underwriting income to grow around 7% to 8%.

On the health side, premium revenue grew 5% to $269 million and health underwriting margin was up 1% to $61 million. Growth in premium exceeded underwriting margin growth primarily due to a lower margin percentage at United American. For the year, we expect health underwriting income to grow around 3% to 4%.

Administrative expenses were $61 million for the quarter, up 8.5% from a year ago. As a percentage of premium, administrative expenses were 6.7%, compared to 6.5% a year ago. For the full year, we expect administrative expenses to grow approximately 6% and to be around 6.6% to 6.7% of premium compared to 6.5% in 2018.

I will now turn the call over to Larry for his comments on the marketing operations.

Larry M. Hutchison - Globe Life Inc. - Co-Chairman & CEO

Thank you Gary. I am going to go through the results of each of our distribution channels. I will start by saying we are especially pleased with the year to date agent count growth we have seen across all three of our exclusive agencies.

At American Income, life premiums were up 7% to $293 million and life underwriting margin was up 9% to $100 million. Net life sales were $60 million, up 9%. The sales growth was driven primarily by agent count growth. The average producing agent count for the third quarter was 7,578, up 7% from the year-ago quarter and up 3% from the second quarter. The producing agent count at the end of the third quarter was 7,770.

At Liberty National, life premiums were up 2% to $72 million, and the underwriting margin was up 12% to $19 million. Net life sales increased 12% to $13 million, and the net health sales were $6 million, up 8% from the year-ago quarter. The sales growth was driven primarily by agent count growth. The average producing agent count for the third quarter was 2,398, up 10% from the year-ago quarter, and up 5% from the second quarter. The producing agent count at Liberty National ended the quarter at 2,421.

In our direct response operation at Globe Life, life premiums were up 2% to $212 million and life underwriting margin increased 5% to $41 million. Net life sales were $30 million, down 1% from the year-ago quarter. Year to date, sales were down 1%, due primarily to a decrease in juvenile life insurance mailing volume.

At Family Heritage, health premiums increased 7% to $74 million, and health underwriting margin increased 12% to $19 million. Net health sales were up 9% to $18 million due to an increase in both agent count and agent productivity. The average producing agent count for the third quarter was 1,135, up 5% from both the year-ago quarter and the second quarter. The producing agent count at the end of the quarter was 1,236.

At United American General Agency, health premiums increased 8% to $103 million, while margins declined 10% to $14 million. Net health sales were $16 million, up 25% compared to the year-ago quarter.

To complete my discussion of the marketing operations, I will now provide some projections. We expect the producing agent count for each agency to be in the following ranges for the full year 2019: American Income, 7,350 to 7,450; Liberty National, 2,300 to 2,400; Family Heritage, 1,210 to 1,230.

Approximate net life sales are expected to be as follows: American Income for the full year 2019, 6% to 7% growth; for 2020, 5% to 9% growth. Liberty National for the full year 2019, 8% to 10% growth; for 2020, 6% to 10% growth. direct response for the full year 2019, down 2% to flat; for 2020, down 3% to 1% growth.

Approximate net health sales are expected to be as follows: Liberty National for the full year 2019, 7% to 9% growth; for 2020, 6% to 10% growth. Family Heritage for the full year 2019, 5% to 7% growth; for 2020, 5% to 9% growth. United American Individual Medicare Supplement for the full year 2019, 8% to 12% growth; for 2020, relatively flat.

I will now turn the call back to Gary.

Gary L. Coleman - Globe Life Inc. - Co-Chairman & CEO

I want to spend a few minutes discussing our investment operations.

First, excess investment income

Excess investment income, which we define as net investment income less required interest on net policy liabilities and debt, was $65 million, a 5% increase over the year-ago quarter.

On a per share basis, reflecting the impact of our share repurchase program, excess investment income increased 7%. For the full year, we expect excess investment income to grow by about 5%, which would result in a per share increase of around 8.5%.

Regarding the investment portfolio

Invested assets are $17.2 billion, including $16.2 billion of fixed maturities at amortized cost. Of the fixed maturities, $15.6 billion are investment grade with an average rating of A-, and below investment grade bonds are $623 million, compared to $682 million a year ago. The percentage of below investment grade bonds to fixed maturities is 3.8%, compared to 4.4% a year ago. This is the lowest this ratio has been in the last 20 years.

Overall, the total portfolio is rated A- compared to BBB+ a year ago. This is the first time the overall portfolio rating has been A- since 2016. Bonds rated BBB are 56% of the fixed maturity portfolio as compared to 58% at the end of 2018. While this ratio is high relative to our peers, we have no exposure to higher risk assets such as derivatives or equities and little exposure to commercial mortgages and asset backed securities.

We believe BBB securities provide us the best risk-adjusted, capital-adjusted returns due in large part to our unique ability to hold securities to maturity regardless of fluctuations in interest rates or equity markets.

Finally, we have net unrealized gains in the fixed maturity portfolio of $2.6 billion, $638 million higher than the previous quarter due primarily to changes in market interest rates.

Regarding investment yield

In the third quarter, we invested $409 million in investment grade fixed maturities, primarily in the financial, industrial, and municipal sectors. We invested at an average yield of 4.12%, an average rating of A, and an average life of 29 years.

For the entire portfolio, the third quarter yield was 5.47%, down 9 basis points from the 5.5% -- 5.56% yield in the third quarter 2018. As of September 30, the portfolio yield was approximately 5.45%. At the midpoint of our guidance, we are assuming a new money rate of around 4% in the fourth quarter and a weighted average rate of 4.25% in 2020. At these new money rates, we expect the annual yield on the portfolio to be around 5.49% in 2019 and 5.38% in 2020.

While we would like to see higher interest rates going forward, Globe Life can thrive in a lower for longer interest rate environment. Extended low interest rates will not impact the GAAP or statutory balance sheets under the current accounting rules since we sell non-interest sensitive protection products.

While net investment income and to a lesser extent, pension expense, will be impacted in a continuing low interest rate environment, investment income will still grow. It just won't grow at the same rate as the invested assets. Fortunately, the impact of lower new money rates on our investment income is somewhat limited as we expect to have an average turnover of less than 2% per year in our investment portfolio over the next 4 years.

Now I will turn the call over to Frank.

Frank M. Svoboda - Globe Life Inc. - Executive VP & CFO

Thanks Gary. First I want to spend a few minutes discussing our share repurchases and capital position. The Parent began the year with liquid assets of $41 million. In addition, as is the norm for Globe Life, the Parent will generate excess cash flow in 2019. 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 the dividends paid to Globe Life's shareholders.

We anticipate our excess cash flow in 2019 to be approximately $375 million. Thus, including the assets on hand at the beginning of the year, we currently expect to have around $415 million available to the Parent during the year.

As discussed on our prior calls, we accelerated the repurchases of $25 million of Globe Life stock into December 2018 with commercial paper and Parent cash. We have utilized $15 million of the 2019 excess cash flow to reduce the commercial paper for those repurchases, leaving approximately $400 million available to the Parent, including the $50 million of liquid assets we normally retain at the Parent.

In the third quarter, we spent $83 million to buy 933,000 Globe Life shares at an average price of $89.26. So far in October, we have spent $25 million to purchase 265,000 shares at an average price of $93.50. Thus for the full year through today, we have spent $282 million of Parent Company cash to acquire more than 3.3 million shares at an average price of $86.33.

Taking into account the $282 million spent year-to-date, we now have around $118 million of available cash, of which $50 million will be retained at the Parent, leaving approximately $68 million for use in the remainder of the fourth quarter. Looking forward to 2020, we preliminarily estimate that the excess cash flow available to the Parent will be in the range of $365 million to $385 million.

As noted on previous calls, we will use our cash as efficiently as possible. If market conditions are favorable and absent alternatives with higher value to our shareholders, we expect that share repurchases will continue to be a primary use of those funds.

Now regarding capital levels at our insurance subsidiaries.

Our goal is to maintain capital at levels necessary to support our current ratings. As discussed on our previous call, Globe Life intends to target a consolidated company action level RBC ratio in the range of 300% to 320% for 2019.

Finally, with respect to our earnings guidance for 2019 and 2020.

Our third quarter earnings were slightly higher than we anticipated primarily due to favorable life claim fluctuations during the quarter plus a one-time $1.2 million consent fee received on the forced exchange of one of our bond holdings. As a result, we are now projecting net operating income per share will be in the range of $6.71 to $6.77 for the year ending December 31, 2019, a $0.02 increase at the $6.74 midpoint of this range over the prior quarter midpoint of $6.72.

For 2020, we are projecting the net operating income per share will be in the range of $7.00 to $7.30, a 6% increase at the midpoint from 2019. Growth will be impeded in 2020 due to the lower interest rate environment, which we currently expect to continue through 2020. Those are my comments.

I will now turn the call back to Larry.

Larry M. Hutchison - Globe Life Inc. - Co-Chairman & CEO

Thank you Frank. Those are our comments. We will now open the call up for questions.

Q U E S T I O N S A N D A N S W E R S

Jamminder Singh Bhullar - JP Morgan Chase & Co, Research Division - Senior Analyst

Hi good morning, I had a couple of questions. First, on direct response. Your margins seem like they are starting to recover now. To what extent given some of the changes in pricing, the marketing, to what extent do you think this is the continuation of a trend? And are the margins that you reported in the third quarter sustainable in direct response? And then also just on sales in direct response, I think you had been expecting an improvement in late 2019. Do you still expect sales to turn positive in the fourth quarter and what is your outlook into 2020?

Gary L. Coleman - Globe Life Inc. - Co-Chairman & CEO

Jimmy, first of all, on the direct response margin's at 19.5% in the third quarter that was a little bit higher than expected. And we think for the year that they will be -- between 18% and 18.5% that is for 2019. And as far as 2020, our preliminary guidance there is that we will still be at around the 18% level. We talked about a couple of years ago that, that is where we thought -- 18% is where we would get to. We are there now and we think it is going to be stable.

Frank M. Svoboda - Globe Life Inc. - Executive VP & CFO

Yes. One thing I would just add to that, Gary, is that we are pleased we are seeing a real stabilization in the policy obligation percentage there at around 54%. And so I agree with Gary that we would expect that 18% to -- looking forward around that level anyway. Probably the one thing in the Q3 that we benefited from, there was a little bit of a fluctuation on our amortization of our acquisition costs due to just updating some models and we have some favorable persistency, we do not really see that continuing into the -- into Q4 -- so that will bring down Q4 a little bit from where we saw Q3.

Larry M. Hutchison - Globe Life Inc. - Co-Chairman & CEO

Jimmy, I think you also had a question about fourth quarter sales in direct response, and we are expecting to have lower sales in the fourth quarter. This is due to the lower juvenile mailing volumes in the third quarter. The decline has been due to the weaker than expected juvenile response rates.

Jamminder Singh Bhullar - JP Morgan Chase & Co, Research Division - Senior Analyst

Okay and then for Gary or Frank, how much insight do you have on the changes in accounting for long duration contracts? Obviously, that is been delayed by a year, but how do you think your book value and/or future earnings would be affected by it?

Frank M. Svoboda - Globe Life Inc. - Executive VP & CFO

Yes, Jimmy, we do continue to work through the implementation of that new guidance. We are pleased to see that it was extended for another year just to give us more time, and I think the industry as well to really make sure we understand what the implications are. We do have some ideas on directionally -- at this point in time, still working through a lot of the details. So there is not a lot of details to share. I think the current -- one thing we would say is that at the current interest levels, we do anticipate that the reserves would have to -- reserve levels would end up going up, so it would have some negative impact on the overall equity. And so there will be some adjustments there. Now there is a certain portion of that, that is going to be included in other comprehensive income, but as far as what the amounts are and what that is actually going look like, we really do not have anything to share at this point in time.

Jamminder Singh Bhullar - JP Morgan Chase & Co, Research Division - Senior Analyst

Okay thank you.

Andrew Scott Kligerman - Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst

Hey good morning. First question, the health margins were 100 basis points lower year-over-year on lower Medicare Supplement margins at United American. And I guess the question is, will these margins continue to face pressure from higher medical inflation for MedSup products? Do you think we are at kind of a level where it is going to stay?

Gary L. Coleman - Globe Life Inc. - Co-Chairman & CEO

Well, Andrew, we have seen an uptick in the claims this year. And as you mentioned, I think it is industry wide. Our expectation now is that going forward that the policy obligations, say, in 2020 will be in the 65% to 66%, somewhere in between that -- in that range. You know it is early -- and I think when we give our guidance in the fourth quarter call, I think we will have a better feel for that.

Andrew Scott Kligerman - Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst

Okay and then what was driving the strong health sales growth at United American and Family Heritage in the quarter, it was pretty robust?

Larry M. Hutchison - Globe Life Inc. - Co-Chairman & CEO

At United American, the growth was driven primarily by the individual business. In the individual business, market conditions are favorable from a pricing standpoint at this time. Also, we had some strong growth from some of our larger agencies. At Family Heritage, the sales growth is driven by a rise in agent counts and greater productivity.

Andrew Scott Kligerman - Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst

Okay and then lastly, just on the new money yields. It was interesting that you came in with a new money yield of 4.1% in the quarter. Just given that last quarter you had a 5% new money yield and I get that interest rates came down pretty sharply, but maybe a little color on why it was such a steep drop off quarter over quarter?

Gary L. Coleman - Globe Life Inc. - Co-Chairman & CEO

Well, Andrew, the biggest part of it was the drop in the treasury rates during the quarter. And we -- to a lesser extent, the quality of the bonds purchased in the third quarter is a little higher than we had in the second quarter. But the big part of it was out of that 4.12% that we had in the third quarter, the treasury rates from the -- the spreads were pretty much the same but the treasury rates had dropped by 60 basis points. And so that's -- and that is what is impacting our new money rate that we are projecting for the fourth quarter and for 2020 because for all we can see those rates are going to be that low going forward.

Andrew Scott Kligerman - Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst

Yes. I think you said a little earlier that it is going to be 4.25% is your projection next year for the new money rates. Is that right? Do you expect a little rise in treasury?

Gary L. Coleman - Globe Life Inc. - Co-Chairman & CEO

Yes.

Andrew Scott Kligerman - Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst

Yes, you do?

Gary L. Coleman - Globe Life Inc. - Co-Chairman & CEO

Yes. Yes just slightly, -- a little bit higher treasury rates. And that is more toward the end of the year. That 4.25% is the weighted average rate, it will start out lower in the first part of the year, we think. We do think it will increase slightly as we move through the year.

Andrew Scott Kligerman - Crédit Suisse AG, Research Division - MD & Senior Life Insurance Analyst

Got it, thanks a lot.

Erik James Bass - Autonomous Research LLP - Partner of US Life Insurance

Hi thank you. Just wanted to touch on life underwriting margins more broadly, as it looks like it came in better than your expectations across almost all of the segments this quarter. And I know you touched on direct response, but was this just a particularly favorable quarter for mortality experience at American Income and Liberty? Or is there something else that led to the improvement? And what are you assuming for life margins across the other businesses in 2020?

Gary L. Coleman - Globe Life Inc. - Co-Chairman & CEO

Well Erik, you are right. Across the board, we did have better mortality than expected. I think the bigger surprise is at Liberty. And in that one we are thinking maybe a fluctuation because the policy obligation there, the ratio there, 33.7, is lower than we have seen in quite some time. At American Income, we saw improvement there, but we think that -- we see improvement in mortality over the last several quarters at American

Income. And the impact on the margin has been -- the underwriting margin going from 33% to 33.6%. That does not sound like a big change, but over $1 billion worth of premium, it does make quite a bit of change to our growth in earnings. The margins for this quarter were over 28% for the overall life business. We think that is going to revert back and we are looking for underwriting margin for the full year to be around 27.9%, right at 28%. And our early thoughts on 2020 are that we will still be in that same range. What we have seen is with increased or improved mortality, especially at American Income and also direct response over the last couple of years, we do not think we will see improvement going forward, but we think we will maintain the profit margins and where we are for this year. So again we think we will be right around 28% for the year and we think that, that will hold in 2020 as well.

Erik James Bass - Autonomous Research LLP - Partner of US Life Insurance

Got it. Thank you and then just moving to the health side. I guess you gave some expectation around the United American margin. It looks like it would stabilize a bit. Is the reason that you are assuming flat sales that you are having to raise price a bit to reflect some of the experience?

Larry M. Hutchison - Globe Life Inc. - Co-Chairman & CEO

I think it is given the strong growth in Medicare Supplement sales in 2019. It is really a tough comparable. So our Medicare Supplement sales is a market that is hard to predict. We use general agency distribution and those market conditions can change rapidly. Although we are giving that guidance to be flat, it is really too early to give any certainty to the guidance.

Erik James Bass - Autonomous Research LLP - Partner of US Life Insurance

Got it, okay thank you.

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

Hi thanks, good morning. I have a couple of questions about the 2020 EPS guidance. Can you give us a sense of what your expectation is for admin expense growth in 2020?

Gary L. Coleman - Globe Life Inc. - Co-Chairman & CEO

You know Ryan, we are expecting around a 5% to 6% growth in administrative expenses.

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

Yes and then--okay

Frank M. Svoboda - Globe Life Inc. - Executive VP & CFO

I was going to say, we really anticipate that percentage of premium to be -- should probably stick to be about the 6.7% that we are anticipating here for 2019.

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

Thank you and I may have missed it, but could you also give the rough expectations for underwriting income growth for both life and health in 2020?

Gary L. Coleman - Globe Life Inc. - Co-Chairman & CEO

Well, for life, we are looking at 3% to 5% growth. And for the health insurance, we are looking at 4% to 6%.

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

Great thank you.

Ian James Ryave - BofA Merrill Lynch, Research Division - Research Analyst

Thank you for taking my question. On the direct response margins, you are now at about 18% to 19% for life underwriting margin. And if we look back to 2011 through 2015, that margin percentage is in the 23% range. So is there anything that is preventing you from getting back to that level?

Frank M. Svoboda - Globe Life Inc. - Executive VP & CFO

Yes. I think the -- at this point in time as we are having to kind of recalibrate our thought process, taking into account the additional information that we are getting on the RX underwriting and the results that we had from that during that 2011 to 2014 time frame, in the near term, we really think that it is going to continue to be in the 18% to 19% range. It is difficult to say over time as we work through testing and work through continuing changes if we can get back to those levels. But at least in the near term, we think we will be closer to the 18% and 19%.

Ian James Ryave - BofA Merrill Lynch, Research Division - Research Analyst

And does it have anything to do with the IRRs on new products? Is it -- is that a consideration as well?

Frank M. Svoboda - Globe Life Inc. - Executive VP & CFO

I do not think it is really the IRRs on the new products. The products are essentially the same. It is just getting the right mix of pricing and underwriting and working through all those to -- so we can really maximize the underwriting dollars, and trying to get the right mix to give us the right response rates, growth in sales, but at a price and a margin that we can ultimately grow underwriting dollars more so that we are not as focused on the underwriting percentage as much as we are trying to grow the underwriting dollars.

Ian James Ryave - BofA Merrill Lynch, Research Division - Research Analyst

Got it. And then just real quick on American Income sales. So you talked about the near term pressure from just opening up new offices. I assume this kept middle management busy just onboarding and training new agents. Given the results the last couple of quarters, they were particularly good this quarter, are we starting to see a turnaround in sales? Is this headwind starting to abate?

Larry M. Hutchison - Globe Life Inc. - Co-Chairman & CEO

I think we have had several factors in American Income that led to the agency growth. First, we had strong recruiting, fewer terminations that was caused in part by the restructure in compensation. Year-to-date, our recruiting is up 9%. I think another important factor is for this year, we have middle management growth of 9% year-to-date. As you stated, we have 13 new offices that opened since January 2018. Middle managers in some of those offices have been replaced now. We are starting to see recruiting activity in those 13 new offices. All those factors are at work in increasing the agent count at American Income.

Ian James Ryave - BofA Merrill Lynch, Research Division - Research Analyst

Great thank you.

Taylor Alexander Scott - Goldman Sachs Group Inc., Research Division - Equity Analyst

Hi good morning. First question I had was on agent count and recruiting. I guess just looking at the landscape and it sounds like some of these online distributors are looking for higher growth rates and there is a bit more conversation around sort of a gig economy type approach to agents and so forth. I would just be interested to hear your take on that business model versus yours and what you are doing to – that has resulted in you not feeling pressure from agents leaving for that kind of a gig? Or any other color that you could provide on what is allowing you to strengthen your agent recruiting here?

Larry M. Hutchison - Globe Life Inc. - Co-Chairman & CEO

To discuss the marketing generally, we operate in an underserved market. So typically, we are the only agent in that home and so there is not competition from other agents nor is there digital competition, in a sense that this is a need that is filled. People are not looking to buy life insurance. You are really explaining the need and people buy insurance after they understand the need. So I think there will be a place for life insurance agents as we go forward. The other thing is we are selling smaller face policies. And there is not real competition in that part of the market because other agencies or other companies cannot control expenses. And expense control is so important when you are writing lower face policies. So for both expense control and for the market that we serve, I think the agents fill an important niche in that market.

Taylor Alexander Scott - Goldman Sachs Group Inc., Research Division - Equity Analyst

Got it. In the last couple of years, thinking longer term, I mean, you are not seeing any signs that would lead you to believe in any way that there is shifting consumer preference for online purchasing versus in-home with an agent in person. You still feel like all the trends are still there for this to be the business model long term?

Larry M. Hutchison - Globe Life Inc. - Co-Chairman & CEO

Yes, I think all the trends are there. And we continue to grow the agency force. We continue to grow middle management and open offices. We have not seen a change in persistency that we are losing policies, as we said our persistency and retention of agents remained unchanged. So the short term factors we discussed in earlier calls was low unemployment rate, and we have dealt with that and restructured our compensation and really focused on the training and retention of our new agents. So I think it is a long term business model that works.

Taylor Alexander Scott - Goldman Sachs Group Inc., Research Division - Equity Analyst

Got it. Okay. Maybe one last one for you guys. One of your peers has talked about efficiencies, and I think they were similarly organized with multiple subs under a holding company with maybe some different brands. So I guess I would just be interested to know if you guys are looking at anything structurally or if there is anything going on. I know you changed the name of the company recently at the Parent level. So any thoughts on if there is sort of more to come in terms of thinking through like structure and efficiency, particularly as I know some of the techs -- the systems and progress towards the new accounting requirements, some companies are thinking more holistically? Any insight there?

Gary L. Coleman - Globe Life Inc. - Co-Chairman & CEO

There is no major plans to change structure. First, from a legal structure, there is really no plans. We will continue to have separate companies which will operate under the Globe brand. But as far as -- a lot of our--, for example, our systems and back office operations, we consolidated those quite some time ago. What we are doing now is we are upgrading those systems and -- that will benefit -- and we will have systems that are enterprise wide. We have had them, but what we are doing now is upgrading to more efficient systems that will provide better service.

Frank M. Svoboda - Globe Life Inc. - Executive VP & CFO

And one thing I would just add to that, I think, from a purely structural perspective. We do not have that many operating companies to begin with, as we have taken a look at and considered it along with the branding strategy, the cost ultimately of moving that, working through changes to all the policyholders and the transferring of policyholders through some type of a merger, getting -- or putting the entities together really was not worth the additional benefits that we might be able to achieve from that. As Gary said, we felt comfortable operating within the current operating -- current legal structures that we have and still be able to get good efficiencies from the overall consolidation of systems and then working under the unified brand.

Taylor Alexander Scott - Goldman Sachs Group Inc., Research Division - Equity Analyst

Thanks.

Operator

Speakers, at this time we have no further questions in the queue.

Michael C. Majors - Globe Life Inc. - EVP of Administration & IR

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