Fourth Quarter 2020 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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P R E S E N T A T I O N

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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 earnings release, our 2019 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 a 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. I would like to open by saying that in this COVID environment, the company continues to conduct business effectively and our operations are running efficiently.

In the fourth quarter, net income was $204 million or $1.93 per share compared to $187 million or $1.69 per share a year ago. Net operating income for the quarter was $184 million or $1.74 per share, a per share increase of 2% from a year ago. On a GAAP reported basis, return on equity was 9.5% and book value per share was $83.19. Excluding unrealized gains and losses on fixed maturities, return on equity was

13.5%, and book value per share grew 10% to $53.12.

In our life insurance operations, premium revenue increased 7% to $678 million. As noted before, we have seen improved persistency and premium collections since the onset of the crisis. Life underwriting margin was $164 million, down 8% from a year ago. The decline in margin is due primarily to approximately $27 million of COVID claims.

In 2021, we expect both life premium revenue and underwriting margin to grow 6% to 7%. At the midpoint of our guidance, we anticipate approximately $52 million of COVID claims.

Health insurance premium grew 5% to $290 million, and health underwriting margin was up 18% to $72 million. The increase in underwriting margin was primarily due to improved persistency and lower acquisition expenses. In 2021, we expect both health premium revenue and underwriting margin to grow around 6%.

Administrative expenses were $63 million for the quarter, up 3% from a year ago. As a percentage of premium, administrative expenses were 6.5%, compared to 6.7% a year ago. In 2021, we expect administrative expenses to grow 7% to 8% and be around 6.7% of premium due primarily to higher pension cost, higher IT and information security cost, and a gradual increase in travel and facilities cost.

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

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

Thank you Gary. I am optimistic as I look ahead. I believe we will emerge from the pandemic stronger than before as a result of the adjustments we have made during this crisis. We now have more ways to generate sales and recruiting activity. The ability to recruit agents and sell to customers, both virtually and in-person in the future, will enhance our ability to generate sales growth.

Looking back at fourth quarter, we are pleased with the results as we continue to see strong growth in sales and agent count. I will now discuss trends at each distribution channel.

At American Income, life premiums were up 10% to $327 million, and life underwriting margin was up 7% to $105 million. Net life sales were $71 million, up 20%. The increase in net life sales is primarily due to increased agent count. The average producing agent count for the fourth quarter was 9,642, up 26% from the year-ago quarter, and up 4% from the third quarter. The producing agent count at the end of the fourth quarter was 9,664. We continue to see significant recruiting opportunity due to current economic conditions and our ability to recruit both virtually and in-person.

At Liberty National, life premiums were up 3% to $74 million, while life underwriting margin was down 26% to $14 million. The lower underwriting margin is primarily due to COVID claims. Net life sales increased 24% to $18 million, while net health sales were $7 million, down 1% from the year-ago quarter. The increase in net life sales is due to increased agent count, continued adoption of virtual sales methods and increased ability to conduct worksite sales activities. The average producing agent count for the fourth quarter was 2,705, up 7% from the year-ago quarter, and up 6% from the third quarter. The producing agent count at Liberty National ended the quarter at 2,770. We are encouraged by Liberty National's continued growth and ability to adapt to the current environment.

At Family Heritage, health premiums increased 8% to $82 million, and health underwriting margin increased 17% to $22 million. The increase in underwriting margin is primarily due to improved persistency and lower acquisition expenses. Net health sales were up 17% to $21 million. The increase in net health sales is primarily due to increased agent count. The average producing agent count for the fourth quarter was 1,452, up 18% from the year-ago quarter, and up 6% from the third quarter. The producing agent count at the end of the quarter was 1,463. Family Heritage continues to generate recruiting and sales momentum.

In our Direct to Consumer division at Globe Life, life premiums were up 7% to $224 million, while life underwriting margin declined 42% to $23 million. Frank will further discuss the decline in underwriting margin in his comments. Net life sales were $39 million, up 32% from the year-ago quarter. We continued to see strong consumer demand for basic life insurance protection across all channels of the Direct to Consumer distribution.

At United American General Agency, health premiums increased 7% to $116 million, and health underwriting margin increased 21% to $19 million. The increase in underwriting margin is primarily due to increased premium and improved persistency. Net health sales were $22 million, down 30% compared to the year-ago quarter. It is always difficult to predict United American sales as the Medicare supplement marketplace is highly competitive.

Although it is difficult to predict sales activity in this environment, I will now provide projections based on knowledge of our business and current trends. We expect the producing agent count for each agency at the end of 2021 to be in the following ranges. American Income, 3% to 14% growth; Liberty National, 1% to 16% growth; Family Heritage, 1% to 9% growth.

Net life sales trends are expected to be as follows: American Income life for the full year 2021, an increase of 9% to an increase of 13%; Liberty National for the full year 2021, an increase of 7% to an increase of 11%; Direct to Consumer for the full year 2021, a decrease of 5% to an increase of 5%.

Net health sales trends are expected to be as follows: Liberty National for the full year 2021, an increase of 7% to an increase of 11%; Family Heritage for the full year 2021, an increase of 5% to an increase of 9%; United American Individual Medicare supplement for the full year 2021, a decrease of 3% to an increase of 7%.

I will now turn the call back to Gary.

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

Thanks Larry. Excess investment income, which we define as net investment income less required interest on net policy liabilities and debt, was $61 million, a 2% decrease over the year-ago quarter. On a per share basis, reflecting the impact of our share repurchase program, excess investment income was up 2%. For the year, excess investment income in dollars declined 5% and on a per share basis it was down 1%. In 2021, we expect excess investment income to be flat, but up 1% to 3% on a per share basis.

Regarding Investment Yield:

In the fourth quarter, we invested $359 million in investment grade fixed maturities, primarily in the municipal and financial sectors. We invested at an average yield of 3.54%, an average rating of A and an average life of 26 years. While we continue to invest primarily in fixed maturities, 17% of our total investment acquisitions in 2020 were in other long-term

investments, primarily limited partnerships investing in credit instruments. These investments are expected to generate incremental additional yield, while still being in line with our conservative investment philosophy.

For the entire fixed maturity portfolio, the fourth quarter yield was 5.29%, down 12 basis points from the fourth quarter of 2019. As of December 31, the portfolio yield was approximately 5.28%.

Now regarding the investment portfolio

Invested assets were $18.4 billion, including $17.2 billion of fixed maturities at amortized costs. Of the fixed maturities, $16.4 billion are investment grade with an average rating of A-, and below investment grade bonds are $841 million, compared to $840 million at September 30.

The percentage of below investment grade bonds to fixed maturities is 4.9%. Excluding net unrealized gains in the fixed maturity portfolio, below investment grade bonds as a percentage of equity is 15%.

Overall, the total portfolio is rated A-, same as a year ago. Bonds rated BBB are 55% of the fixed maturity portfolio, the same as at the end of 2019. While this ratio is in line with the overall bond market, it is high relative to our peers. However, we have little or no exposure to higher risk assets such as derivatives, equities, residential mortgages, CLOs and other asset-backed securities.

Because we invest long, a key criterion utilized in our investment process is that an issuer must have ability to survive multiple cycles. We believe that the BBB securities that we acquire provide 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, the lower interest rates continue to pressure investment income. For 2021, at the midpoint of our guidance, we assume an average yield rate on new fixed maturity investments of around 3.55%. 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. 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 5 years.

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

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

Thanks Gary.

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

The Parent began the year with liquid assets of $45 million. In addition to these liquid assets, the Parent Company generated excess cash flows in 2020 of $388 million compared to $374 million 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 shareholders. Thus, including the assets on hand at the beginning of the year, we had $433 million of excess cash flow available to the Parent during the year.

In the fourth quarter, the Parent -- the Company purchased 1.4 million shares of Globe Life Inc. common stock at a total cost of $123 million with an average share price of $88.55. For the full year, we spent $380 million of Parent Company cash to acquire 4.5 million shares at an average share price of $85.24.

As noted on our last call, the Parent ended the third quarter with $435 million in liquid assets. As just noted, the Parent used $123 million of cash for share repurchases in the fourth quarter. In addition, the Parent reduced its commercial paper holdings by $25 million during the quarter. The Parent ended the fourth quarter with liquid assets of approximately $290 million.

Looking forward, the Parent will continue to generate excess cash flow in 2021. While our 2020 statutory earnings have not yet been finalized, we expect our excess cash flow in 2021 to be in the range of $330 million to $360 million. Thus, including the assets on hand at January 1, we currently expect to have around $620 million to $650 million of cash and liquid assets available to the Parent in 2021. As I will discuss in more detail in just a few moments, this amount is more than necessary to support the targeted capital levels within our insurance operations and maintain the share repurchase program.

As noted on previous calls, we will use our cash as efficiently as possible. We currently believe share repurchases provide the best return to our shareholders versus other available alternatives. Thus, we anticipate share repurchases will continue to be a primary use of the Parent's excess cash flows. It should be noted that the cash received by the Parent Company from our insurance operations is after they have made substantial investments during the year to issue new insurance policies, to expand our information technology and other operational capabilities, as well as to acquire new long-duration assets to fund future cash needs.

Now capital levels at our insurance subsidiaries.

Our goal is to maintain our capital at levels necessary to support our current ratings. As noted on previous calls, Globe Life has targeted a consolidated Company Action Level RBC ratio in the range of 300% to 320% for 2020. Although we have not finalized our 2020 statutory financial statements, we anticipate that our consolidated RBC ratio for 2020 will be at the midpoint of this range, reflecting additional capital contributions of $20 million to $30 million. For 2021, we intend to maintain the same targeted RBC range.

As discussed on previous calls, a primary driver of potential future capital needs from the Parent is the adverse capital effect during this economic downturn from either downgrades that increase required capital or investment credit losses that reduce statutory income and thus total capital.

To estimate the potential impact on capital due to changes in our investment portfolio, we continue to model several scenarios that take into account consensus views on the economic impact of the recession, the strength and timing of the eventual recovery and a bottoms-up application of such views on the particular holdings in our portfolio as well as other stress tests.

We now estimate that our insurance companies will require $35 million to $140 million of additional capital over the course of this credit event to maintain the minimum 300% RBC ratio of our stated target range. This amount is lower than our previous estimate.

In our base case, we expect less than $20 million in after-tax credit losses and approximately $700 million of additional downgrades over the next 12 to 18 months. In

our worst case scenario, we increased the expected downgrades to approximately $2 billion over that same time period.

Regardless of whether the need is $35 million or $140 million of capital, or something in between, the Parent Company has ample liquidity to cover the amount required. It is important to note that Globe Life statutory reserves are not negatively impacted by the low interest rates or the equity markets given our basic fixed protection products. Furthermore, the current interest rates do not have any impact on our statutory reserves given the strong underwriting margin in our products. In the aggregate, our statutory reserves are more than adequate under all cash flow testing scenarios.

At this Time I'd like to provide a few comments relating to the impact of COVID-19 on the fourth quarter results.

As noted by Gary, total life underwriting margins declined by 8% during the quarter. These lower margins were primarily due to an estimated $27 million of COVID-related policy obligations incurred in the quarter, $11 million more than we had anticipated on our last call due to 65,000 more COVID deaths across the U.S. in the fourth quarter than projected.

During the quarter, Direct to Consumer incurred an additional $13 million in COVID claims and Liberty National incurred an additional $6 million. Absent these additional losses Direct to Consumer's underwriting margin would have been 16% of premium for the quarter. In the Liberty National distribution, absent the estimated policy obligations due to COVID, their underwriting margin would have been 27% of premium for the quarter.

For the full year 2020, our total incurred COVID policy obligations across our life operations were approximately $67 million. Absent these additional losses, our total life underwriting margin would have been slightly below 28% of premium, comparable to 2019.

With respect to our health operations, total health claims were approximately $7 million lower than what we expected at the beginning of the year due to COVID.

Finally, with respect to our earnings guidance for 2021.

We are projecting net operating income per share will be in the range of $7.16 to $7.56 for the year ended December 31, 2021. The $7.36 midpoint is lower than the midpoint of our previous guidance of $7.55, primarily due to higher anticipated COVID death benefits.

On our last call, our midpoint included an estimate of $32 million in COVID life claims relating to approximately 160,000 U.S. deaths. The midpoint of our guidance now estimates approximately $52 million of COVID life claims on projections of around 270,000 U.S. deaths, the vast majority of which are expected to occur in the first quarter of 2021.

We continue to estimate that we will incur COVID life claims of roughly $2 million for every 10,000 U.S. deaths. Obviously, the amount of death benefits paid due to COVID-19 in 2021 will depend on many factors, including the effectiveness of the various vaccines and the speed at which the highest risk segments of our population get vaccinated. The larger than normal range for our guidance reflects this additional uncertainty.

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

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

Hi good morning. If I take your updated COVID guidance, it looks like there may have been a small amount of reduction to the EPS expectation outside of COVID. Can you provide any detail on what was -- any additional drivers beyond just COVID mortality?

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

Sure. Yes, we are expecting a higher average share price in 2021 than what we had anticipated back in October, just reflecting our higher trading price right now. So it did have a reduction in the overall effect of the buybacks, maybe $0.06 to $0.07, ultimately. And then probably $0.03 or $0.04 better underwriting results, ultimately, really at American Income and Liberty just a little bit better, slightly better than what we maybe anticipated back in October.

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

Got it. And then actually, can you -- on the buybacks, can you provide any thoughts on your expectations for buyback levels in 2021? You obviously have some excess cash at the Parent Company, but any thoughts there?

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

Yes Ryan. Right now, we anticipate just using whatever excess cash flow that we generate at the Parent Company for the level of buybacks. So again, in that $340 million to $370 million range, somewhere in there. As far as the excess cash that is sitting there at the Parent Company, for right now, we will hold on to that to make sure of what levels of additional capital we might need. And as we work our way through the year, then we will see if we are able to redeploy those in some other fashion.

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

Thank you and then I just had one last quick one. Life persistency has generally been favorable -- or was favorable in 2020. It looked like some of that reversed in the fourth quarter in Direct to Consumer. So curious what you are expecting for persistency in 2021?

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

Ryan, we are – in the midpoint of our guidance, we assumed that the persistency over the year would eventually get back to historical levels just prior to 2020. And that -- so what we are going to -- what we saw in the fourth quarter, even in the Direct to Consumer is that the persistency was not quite as good as it was in the second or third quarter, but still, it was better than what it had been historically. We are just -- I do not think -- we never had a pandemic like this. I don't – we are just not sure whether or when the losses will return back to the prior historical levels. But as far as our guidance, we assume as we get toward the end of 2021, it will be back to more what it was in 2019 and prior.

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

Got it thank you.

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

Good morning, I guess the first question, I am looking at the life underwriting margins. And as a percent of premiums, in Direct to Consumer, it fell 860 basis points to 10.1%. But then when we look at American Income, it only fell 90 basis points to 32.1%. So I just kind of -- I think I have a sense of the answer, but I would like a little more color on what might be driving the disparity between these 2 channels.

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

And I think did you say -- well, Liberty National has a little bit more exposure to some of the higher populations within their overall book of business, when you look at -- than American Income. American Income generally ensures a little younger portion of the population and has less exposure to, let's say, those portions of the populations that are being most impacted right now. So just proportionately, they are -- Liberty National is seeing just a higher impact overall from COVID.

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

I see. And Direct to Consumer as well?

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

Yes. In direct to consumer, it is a little bit more of their -- the nature of their simplified underwriting, especially as compared to American Income. American Income has a little bit more underwriting processes being done in the field. Whereas with direct to consumer and their simplified underwriting, we anticipate higher mortality. We have always priced in and have higher mortality experience in direct to consumer. They also have, as a percentage of their in force, a little bit older -- or they do have an older population than American Income. It is not quite as -- it's a little bit less than what Liberty National has.

Overall, for our book of business, it is about 4% of our policies in force are related to insurers that are 70 years old and above. At Direct to Consumer, that is closer to 5% and Liberty National, just a little bit higher than that, and American Income is about 3.5% or so.

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

I see. That makes sense. And then everything seems on track. So then as I think about the sales trends and nothing short of phenomenal there. What -- just curious some color around the margins. What percent of sales would you say in your exclusive producer channels, what percent are being done virtually versus face to face?

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

We do not keep the data because all of our applications are uploaded electronically. So we don't distinguish, I would estimate at this point in time, probably 80% of the American

Income sales are still virtual. I think it would be a much lesser percentage at the other 2 agencies. The reason we do not capture that data is as we go forward it is a little less important. As we look at closing rates, we look at activity; that is really a better measure of what sales will be. And so it really comes down to consumer preference that we will sell virtually or in person depending on what the consumer prefers as a sales channel.

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

I see. I see. Makes sense. And then just, again, maybe a little color around statistics or metrics for just demand for protection-based products. Are there any metrics out there where you are seeing that pickup? I know earlier, you said that you expect persistency will kind of revert back to where we were in 2019. Do you think demand will come down as well?

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

Well, I think we do expect a decrease in life insurance demand from pandemic levels. However, we think demand should be greater than pre-COVID levels. That is because I think that the sales will benefit from the continued increased awareness of the importance of life insurance. And of course, there is a possibility of future pandemics or currently the variants for the current pandemic.

I think we will see a consumer preference for the digital experience, which will help direct to consumer. For the agencies, a decrease in demand, I think it will be offset by our ability to sell both virtually and in person, and the growth in the agencies, both the agents and middle management will also generate additional sales as we go forward.

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

Andrew, I would like to -- I mentioned earlier that we -- Andrew, I mentioned that we had assumed that lapses would go back to historical trends by the end of the year, but I do want to reaffirm, I am just not sure because we haven't been through this -- through a pandemic like this before. It well could be that the -- because of the impact of so many people and so many families in this country that it turns out that the persistency -- the improvements we have seen continue for a period of time. But just to be conservative, we assume that they would go back to the historical averages by the end of this year.

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

That is helpful thanks a lot.

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

Hi thank you. I think your guidance is for health premiums and underwriting income to both grow 6% to 7% in 2021, which implies flat margins. I think before you had expected the margin to come down a little bit given some of the benefits of lower claims in 2020. So are you changing that view at all? And then do you expect some of the benefits to continue into 2021?

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

Well, Erik, I think we expect that from a policy obligation standpoint that we will probably be around the same in 2021 as we were in 2020. But what we are seeing is because the improved persistency, we are seeing a lower acquisition cost -- lower amortization. And we went from 19% of premium in 2019 to 18% and we are thinking it could be a little bit less than 18% this coming year. So that is helping keeping that margin up.

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

Yes. So overall, kind of in the 24% to 25% range, again, is that what you're expecting?

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

Yes. It should be -- I think at the midpoint of our guidance, it is just right around 24%.

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

Got it thank you, and then I was just hoping you could maybe give a little bit more color on the long-term investments that you talked about, the limited partnerships. I was hoping you could provide a little bit more detail on what these are, the credit profile and how they are treated in terms of required capital and the accounting for investment income?

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

Sure. Yes, most of these are long-term limited partnerships that primarily invest in credit-related investments. Some of them are -- have participation mortgages that are very short-term mortgages that are made like 3 years in duration and have very good loan to -- ratios. Ultimately, these are designed to be kicking out investment income on a periodic basis as well as have the potential for long-term gains, if you will, long-term target rates.

The quarterly distributions generally on most of these are -- range from 5% to 6%. And ultimately have maybe a long-term return prospect of 8% to 10%. And really, that is the difference between those quarterly distributions that we obtain from these partnerships and then some of those long-term returns are what flow through ultimately as capital gains that flow through our realized gains and losses, you know, over time. But the majority of those are -- the nature of that. There is also some other opportunistic credit partnership that we have had on our books for a while.

But we continue to look at some of those types of generally credit-related structured type partnerships that are -- get us into a little bit different type of exposure on the credit side than the normal corporate fixed maturities.

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

Got it thanks that is helpful. I mean so should we expect a little bit more volatility quarter-to-quarter in terms of the investment income from those? And is there a higher assumed capital charge as well?

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

Yes. There is a higher capital charge. And so we take that into account when we are taking a look into that and evaluating the benefits of getting into that type of an investment versus the fixed maturity. Given the higher yields that they have right now, it is – it is worth the higher capital charge. It is a little bit -- from a risk perspective, they are definitely lower in risk than I am going to say, kind of the general alternatives or especially those that might be a little bit more equity-based, hedge fund type partnerships. The structure of these was getting some type of a quarterly distribution from them from a statutory income, then we have got a steady stream, a predictable stream still of income that is receivable from these particular partnerships. Long term and on the balance sheet, there is some volatility just in the value of those on a quarter-to-quarter basis.

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

Got it thank you.

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

Thank you very much. With the increased level of COVID deaths kind of embedded in revised guidance, can you talk about the corresponding claims tailwind offset we should be thinking about from lower utilization in health?

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

Yes. On the health side, right now, for 2020, we really see the utilization really coming back to a pretty normal level, especially on the Med Supp type business, where we did see some benefits from lower utilization in 2020. We have really seen the trends toward the end of the year get back to pretty normal utilization. And right now, we are anticipating that same type of utilization in 2021. We are really not on the health side, expecting any -- really any substantial benefits or costs, if you will, associated with that. Did that answer the question?

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

Yes. No, no, it did thank you. Maybe related to that, can you talk about maybe telemedicine, do you feel that could long-term offer some claim savings for the health business?

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

I am not sure I understood the question.

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

If telemedicine becomes a more permanent part of people using Medicare supplemental products, their claims utilization rates could maybe secularly decline possibly?

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

Yes, potentially. I do not know the -- I do not think that we have built that into any type of our guidance, but it does seem possible that, that could potentially have some cost savings in the long term.

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

Thank you very much for your answers.

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

Hi good morning. First, I just had a question on your sales. And you have obviously seen very good growth across all of your channels. Do you think there is some adverse selection going on as well? And what are some of the things that you are doing to potentially prevent that? And if you have any statistics on claims that you might have seen on policies that you have written since the onset of the pandemic?

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

Jimmy, I will touch on the kind of the last part of that, especially -- I mean, we do continue to really monitor the sales, especially on the direct to consumer side, looking at, are we seeing changes in the average age of new applications and the amounts that are being requested and are they coming from higher risk geographies and looking at those and are we seeing changes in those type of demographics. And we are not -- we are not seeing any significant really changes in those over the course of the year. So we do -- and of course, we have limited some of our exposures, especially to the higher age segments of the population. So we have taken steps through the marketing and underwriting efforts to try to protect ourselves there.

But with -- and with respect to the claims that we have paid so far, we have paid 28 claims through the -- in 2020 on policies that were issued after 3/1/2020 with a total face amount of about $178,000. And considering that we issued about close to 2 million policies during the year, it is a pretty small number. Now we had about 3,800 -- a little less than 3,800 claims in total in the year that we have actually paid. Of course, there may be some of those that are in the process that are still getting -- that are in the process. But we are seeing about 85% of our claims are above age 60 and above.

So we are still really seeing it in those high risk. It is consistent with what we are seeing, you know consistent to where one would think that in those -- focused in those highest levels. And then almost 70% of our claims are from policies being issued in 2010 or before, and 97% are before 2019. So we are seeing a pretty good distribution from over the...

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

Jimmy on the sales side, the company is monitoring the increased sales levels to be sure anti-selection is not occurring. We have not experienced any significant shift in product mix, applicant age or location of new sales. If you look at direct to consumer, it is interesting that the sales increases across all channels. However, the juvenile sales have actually increased at a higher rate than adult life insurance. That gives us some further confidence there because the higher incidences of serious illness and mortality has been at the older ages.

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

Yes. And then do you have any better insight into sort of the impact of changes in accounting for long duration contracts going into effect in a couple of years?

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

Yes. I really do not have anything new from what we talked about on the last call. We do continue to work through that. It will be something, I think, over the -- maybe the latter part of this year, that we will have a little bit more information to really share on that.

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

Okay. And just lastly, on -- if you think about your agent recruiting and retention, it is obviously benefited, I think, from a softer labor market in the services area. If -- assuming COVID vaccines are successful and we sort of get to normal later this year and everything opens up, do you think you could suffer in terms of retention as some of these guys have left other industries and come to your -- and became sales agents sort of leave? Or what are your views on your retention if we sort of get to normalcy? Agent retention?

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

The COVID vaccine could affect both recruiting and retention. I would point out that in terms of low unemployment, we have been able to recruit successfully. We really focus on the underemployed, not just the unemployed. And you are correct, well, unemployment does have a greater effect on retention than on recruiting because there is greater work opportunities. We think the ability to recruit both virtually and in-person and to sell virtually and in-person, will enhance our ability to grow the agencies. And I think retention will be at historical levels as we go forward.

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

Okay thanks.

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

Good morning. Question on Direct to Consumer. You said -- I think I got this right, excluding COVID losses, the margin was 16% in the quarter. That is a bit lower than it has been trending on a normalized basis. I guess full year last year was 18%. 4Q last year was 19%. Are you expecting lower margins to persist in that business into 2021?

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

Yes. Tom, we did see in the fourth quarter a little pickup in some of the non-COVID claims, really, especially in the -- some of the areas that we have seen in the press, homicides and death due to drug overdose, whether that be drug or alcohol related type accidents, which some have kind of attributed, if you will, to some of those indirect COVID-related deaths and trends. And in fact, they are up over about 24%, those types of claims over the fourth quarter of 2019. And that was about 2% of the premium in the fourth quarter. Now we do anticipate those staying at a little bit elevated levels into 2021.

So overall, we are expecting margins for full year 2021 to be in that 12% to 16% range. Probably 3 points of that is due to COVID, and you probably got another 1% or 2% that are just due to what we think are some of the higher other causes of death that are kind of the byproduct of the COVID environment, that we think will subside over time and won't stick with us for the long term. But right now, we are including some of that into 2021.

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

But Tom, excluding the impact of COVID next year, the direct COVID claims is still going to be somewhere -- it will be in the 16% to 17% range.

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

Got you. So a little bit lower. And any -- just given that expectation, any consideration or reason to reprice? Or are you still very comfortable with that level of margin from an overall return standpoint?

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

Well, we always look at the possibility of repricing. But I think what we -- in looking out, we are only giving guidance for 2021. But I think our feeling is, is that once we get past the amount of COVID claims… as we get past 2021, we will -- we think we will get closer back to the 18% range that we were prior to 2020.

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

Okay. And then just on your -- on the excess cash, you expect for 2021, I guess, it is about $30 million to $40 million lower versus your 2020 figure. Is that all just due to the expectation of credit drift and credit losses? Or is there anything else affecting that?

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

Well, yes, that is predominantly the credit losses that we actually had in 2020, which impacted statutory income in 2020, and therefore, the dividends that are available to the holding company in 2021. And then there is probably another $10 million or so we are kind of seeing just looking at some of the other cash flows that the holding company has, that looks like they maybe be a little bit lower in 2021 versus 2020.

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

Okay thank you.

Operator

And it appears there are no further telephone questions. I would like to turn the conference back over to our presenters for any additional or closing remarks.

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.