Bank of America Insurance Conference

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Corporate Participants

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

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

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

Conference Call Participants

Joshua D. Shanker - BofA Securities, Research Division - MD

Presentation

Joshua D. Shanker - BofA Securities, Research Division - MD

The first conference of the day is going to be Globe Life. I will just say one thing in advance we have Axis after; if you are preparing ideas, know Axis is going to come on after Globe Life, you can think about what you want to ask to Axis. But Globe Life's going to be now, please send me questions. We're really excited.

We have got Larry, Gary and Frank, the Co-CEOs and CFO. And so I am really pleased. I am not -- Globe Life is a newer name for me. Hopefully for you they are not; their track record has been phenomenal. And so let's start with Globe Life. And please send me your questions. And I think that we are tuning in, I am being joined by the team. And I see them on my screen, so I assume you see them as well.

Welcome, everybody, how are you doing today?

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

We are doing fine. How are you?

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

We are doing great.

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

We are doing great.

Question and Answers

Joshua D. Shanker - BofA Securities, Research Division - MD

Okay. So we got the audio. We got the visual. Everything is going perfectly. Thank you for joining us. You are the -- at the perfect position of being the first presenters at the conference at my first Bank of America Insurance Conference and certainly my first virtual conference. I am really sorry that we cannot be in a room together talking. We are going to work on that in 2022. Obviously, an unusual year. Can you just talk a little bit about the hard-working people at Globe Life, and how they are doing, what is happening in terms of adaptation, how hard they are working, obviously, what makes a company is its employees and how your employees are managing this very unusual time.

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

Well, I think one thing that as we look at-- our employees, it's been a big change. We have obviously moved from basically everybody in our home office, being in the office every day to the vast majority of our people working from home, like everybody else, and we continue to work from home. And luckily, we have really had great success with that. We have been very pleased that the employees have been able to continue the normal operations and -- being remote and really have minimal impact on productivity. So I think at this point, we really -- the employees are first and foremost in trying to keep everybody safe during this time, and we are really pleased that we have been able to -- in our minds, really make that transition and to be able to work for home and keep everybody safe.

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

I will add to that, likewise our 13,000 agents have done very well. They have transitioned from an in-person sale in March to a virtual sale and they didn't -- once they made that transition, we saw sales pick up in the second quarter and strong sales in the third and fourth quarter, and we have had good recruiting this year. So I have to complement the field that they quickly adapted to the COVID environment and have been successful in that environment.

Joshua D. Shanker - BofA Securities, Research Division - MD

Terrific. And they will continue to do so. Obviously, that is a testament to the company's strength. For those who are not so familiar with Globe Life, can you just give a little tutorial and background about where Globe Life fits in, in the whole life insurance ecosystem? What is the product, who it reaches? What sort of walls or moats you have and why you are successful?

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

Joshua, I will take that. Our business model is quite different from the other companies probably that you cover. For years, we have operated in the middle income market, selling basic protection, life products, and supplemental health products. We sell our products through controlled distribution, and we control the cost. And we generated a significant underwriting income in that, along with our investment income, each year -- generates cash that we need to fund our current operations, but at the same time, it provides excess capital that we return to the shareholders. Just kind of going into each one a little bit. We like the middle income market because it is a very large and underserved market that has great growth potential and little competition.

As far as the market industry data shows that over half the people in the market do not have life insurance or are underinsured. Most other companies operate in the higher income markets, where there is -- many companies operating. There is much competition for agents and customers. We just do not face that in our market. Also our protection life products that we sell, they have advantages. One, those are the products that are needed in that middle-income market; but two, they have an added advantage in that they are simple products, they are easy to understand by both our agents and customers. So that aids in the sales process.

And then different from other companies is that those protection life products, both term and whole life, have a liability that is fixed at the issue date. It does not change over time. And that's in contrast to the companies in the higher end market that are selling products where the ultimate liability's determined either by market interest rates or the credit markets. I also mentioned that we control our distribution. We have exclusive agencies and as well as our large direct to consumer operation, and by controlling our distribution we are able to control the cost, which also helps in facing any competition in the market.

And by doing so, we are able, as I mentioned earlier, to generate an underwriting profit. And over the years, selling these long-term protection products, we have built up a large in force block of business. That every year generates investment income as well as the underwriting income that we use to fund our operations. And as I mentioned earlier, we do generate a fair amount of excess capital each year. And we have consistently, over the years, returned that excess capital to our shareholders, generally through dividends and share repurchases. So it's a model that we have followed for many years, Larry and I have been with the company over 35 years. And the model is pretty much the same as it's been. The difference is we do have to change our methods of how to execute the model, but it is a model that is strong and has a great future.

Joshua D. Shanker - BofA Securities, Research Division - MD

Let's talk a little about the methods. I mean, if we go back, look, 20 years ago, I am guessing, obviously, generating leads and what not heavily due to mailings and mailers. To what extent are mailings still a viable way of generating business to what -- and obviously, technology is disintermediating a lot. And this year, clearly with COVID, we are learning a lot more. But given the markets that you try and tap into, what -- how do the old ways stack up in terms of distribution and have some consistency in generating leads and sales today.

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

If you look at our distribution, about 75% of new life sales come from our agency, the other 25% is our direct to consumer. If you look at direct to consumer, the Internet is the fastest growing channel in our direct to consumer business. However, the direct mail, insert media, inbound phone calls are also very important. And that gives us a variety of ways to reach customers. In 2020, we had sales growth across each of those channels. And I think direct mail will continue to be important. Our direct mail channel sends out hundreds of millions of mail pieces every year. Besides those direct sales, that volume has a positive advertising effect for the other direct to consumer channels and our agencies. I think most importantly, direct mail generate sales as a follow-up to our Internet sales. And direct mail also supports our agencies by providing sales leads that becomes a more and more important part of direct mail as we go forward. I think direct mail will continue to grow as we use analytics and attribution, we will make it more efficient, and we can reach more customers with our direct mail operation.

Joshua D. Shanker - BofA Securities, Research Division - MD

And to what extent, I guess there is 2 ways. One is that as direct becomes a bigger part of the business, it seems like -- and maybe I'm wrong, that the barrier to entry, the moat comes down, which I guess is one part. I mean, we will get to the Internet in a little bit and how that plays in.

But 2, I guess, the other angle question I am getting at is, to what extent, given how attractive your returns and your results have been, why haven't others also tried to follow suit and copy you? I know it is low base insurance sales. But I mean, at a certain amount of success, you have to realize somebody is doing something right. So I guess between -- I guess, that 1 direct feels to me like a low barrier entry opportunity. But 2, I still feel that you guys are kind of out there and people are not trying to compete directly against you.

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

I think what you are really asking about, what is the competition we see. And I guess, along with that is, is competition limited by the barriers to entry. Let's talk about direct to consumer first. It really operates in a different segment of the market than the other direct mail competitors. We offer a lower face amount and in our inquiries, there's 2 types of Internet inquiries. One is where people research on the Internet, the other is where they go out to different sites, and they look for the ability to buy insurance on the Internet. At those sites, we really have a lower face and lower premium amount that we offer than a lot of the competitors. The other advantage we have in the direct to consumer operation is this, is that we have 50 years' worth of data. So we know when to mail, who to mail, how to segment that market. We continue to build on that ability.

The other thing is the low-cost environment that we create for our direct to consumer operation. If we take the raw paper, and we convert that into a finished product and have it in mail order delivery as it's delivered to the post office, our volume at several hundred million pieces of direct mail, so large, we have postal inspectors on site. So with a low-cost, we can offer those low face, low premium policies more competitively than our competitors.

On the agency side, as Gary mentioned, we are in an underserved market. And so typically, we are not going head-to-head with competitors. We are the only agent typically that is calling on that household. There is not an agent before us or an agent that follows behind us. We also operate in a different part of the market. As Gary stated earlier, we are in the lower premium, lower face basic protection life insurance. And to date, that just hasn’t been a competitive market.

I think the other thing that protects our niche is that at American income, we are the only union based company I'm aware of that has a unionized agency force and unionized home office.

We have a 60-year relationship with labor, and that's important to us. We work at that relationship and it helps us as we receive endorsements from the various locals, then that leads to a lot of referrals for the business in American Income. So it is somewhat of a protective niche. Again, at Liberty National in our worksite market, we are at the small employer. We are not really trying to write coverage on employers that have 1,000 or 10,000 employees. Our sweet spot for that market are typically an employer that has 10 to 50 employees. And that has been a growing market for us. Again, it's competitive, but we don't see agents ahead of us or agents behind us in that market.

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

Well, I was going to say, I would add on the agency side, the type of products we sell, as we mentioned before, their low face amounts, but that means low premiums as well. And it is, as Larry alluded to, but it is important, if you are in that market to be able to control not only the administrative expenses, but the acquisition cost because there is just not that much revenue to offset. If you go back in time, most companies were in the middle-income market, and they were operating through exclusive agencies. And I think Met and Pru were the two biggest. But over time, those companies, in the '80s and '90s, started leaving the business because the expenses of running those expensive agencies were growing at a faster pace than the premium revenue. So they were losing margin, and so that is why they moved up to the higher income market. And most companies sell -- in that market sell through independent agents. I don't think they could track into -- their agents back into the middle-income market. But again, going back to the low premium revenue, there would be low commissions at the point of sale.

So it's -- yes, it's a big market, and it's got to be a market that is enticing to people. But I think many companies would have difficulty making a transition into the middle-income market through agency sales.

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

Joshua the other thing I should mention is another barrier to entry is having to create an agency. We have agency owners, all 3 agencies have started out with the agents in each respective agency. We do not go out and hire experienced agents. We take neophytes. We train them, as they become new agents, they move into a management track, and after 4 or 5 years, they can become agency owners. It would take a tremendous investment and a fair amount of time to create that body of knowledge we have with all of our agency owners, from middle managers and our agents.

And secondly, it is a variable cost model. As Gary said, it's low expense. But those expenses and training and recruiting the agents are primarily borne by those agency owners. So for a company to find the talent, develop the talent, make that investment, I think, would be a long process. To date, we really haven't seen any agencies that have come in, in our end of the market to try and compete with us.

Joshua D. Shanker - BofA Securities, Research Division - MD

Well, I have a lot more questions that I want to know the answer to, but we have about 70 people online and questions are coming through. And a question just came through that is right along this topic. Someone asks, can you compare your distribution strategy to that of Primerica, which is better for targeting lower middle-income customers?

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

Primerica is a little different agency than the Globe Life agencies. First of all, they sell some other investment type products. They do some estate planning type work. I think their agents tend to be more of a part-time agent, although they have full-time agents. It's a great company. But we do not run into them in the market as competition. The market is so large, that we are not calling on the same customers, and we do not hire Primerica agents. I am not aware that any of our agents have left for Primerica. So it is a great model. It is just a very different model from Globe Life.

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

And Larry, I do think that they target just a little bit higher income than what we tend to plan in our customer base.

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

That's right. Because they are offering some investment products and our products on both the life and health side are really basic protection, low premium products.

Joshua D. Shanker - BofA Securities, Research Division - MD

Given COVID going on, the resiliency of your agency force, are there things that you learned about distribution during COVID, that if and when things get back to normal, the business model is going to continue to use those skills that you have developed in the past year because actually, if you – you realized, there is extra opportunity in a certain type of customer who you were not reaching or certain types of sales you were not doing before that now is going to -- when things go back to normal and you will have an extra -- virtual sales. I don't know what it is but maybe, are there any learnings that really enhance the future for Globe?

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

Joshua, I am smiling because I do not know what back to normal is. I do not think there is a back to normal. I think it will be a new normal. One of the things we really learned with the advent of COVID is, we could sell virtually in addition to in-person. And we looked at virtual sales related to COVID, it encouraged us to make the investment and the change. In the agencies, all 3 agencies have said, we want to continue virtual sales and virtual recruiting. So I think it is really opened another distribution for the Globe Life companies. I think in-person sales will still be important. Part of the change with virtual is the consumer itself. I think consumers now are much more open to virtual presentations than they were a year ago or 2 years ago. So to go forward, I think you will see that the virtual sales will be a large percentage of the sales within the Globe Life agencies, and there is some advantage of those virtual sales. It really expands the efficiency and the territory for the agent. Now the agent can work leads, be in Houston this morning, in Dallas this afternoon, in Oklahoma City tomorrow, and there is not that time lost in travel. So the agents like the greater efficiency.

I think the other good thing about the virtual process is the virtual recruiting. Before, most of the group interviews or individual interviews took place in the agency owner's office, and what we found is that virtual recruiting is very effective. And again, it enlargers the territory in which -- or the region of which an agency can recruit because they are not limited by someone having to drive to an office. They can explore the opportunity virtually. And the training virtually is also advantageous because with field training, a new agent can accompany an experienced agent as a field trainee. With the virtual presentation, you have multiple agents watching that presentation and learning from the veteran agent how to present and how to explain the coverage to a potential customer. So we are excited about virtual training and recruiting, and we think it offers a great opportunity for the Globe Life companies to grow as we go forward.

Joshua D. Shanker - BofA Securities, Research Division - MD

Well, I have a question here from an investor about working remote. Do you expect any change in your office footprint? And if so, what effect on operating leverage do you think that will have? Examples, marginal improvement, meaningful improvement -- as answers; marginal, meaningful, significant or no effect are the 4 choices that they have given; it is like a poll, you can pick. How much improvement comes from that efficiency rationalization, I guess?

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

Frank, do you want to answer that?

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

Sure. Yes. No, I think as we are really planning for people to come back into our office. And we really -- it really depends on the particular department. And there is not going to be one rule that applies to the organization as a whole. And so there are certain parts of our organization that worked very well remotely. And we are actually finding a little bit better productivity out of those areas. And I think we will continue to use those folks remotely on an ongoing basis. Also it gives us a little bit more geographical footprint as far as that ability to hire folks, especially with respect to some of our customer service areas.

I think some of the other areas are probably a little bit more of a blend type model that we will probably come back to and give people a little bit more flexibility. And I think one of the underlying -- several of our departments, it is one of those things, we are working just fine. We can get the work done. But the collaboration isn't quite there. And if we -- and to really move forward and to put in -- put the steps in place to move forward, we need to have some of that together time and to be able to meet together and to really work. Individuals here in this organization work not just in their own little silos, it is across the organization. So I think we will end up seeing some type of a hybrid model as we move forward.

Joshua D. Shanker - BofA Securities, Research Division - MD

So I guess, there is a lot of questions I have and still some more in the audience on COVID-19. Just a quick question. What's the relationship between the pandemic and maybe persistency due to hardship and whatnot during that time? Have we seen any change? I mean sometimes we hear about people who have saved money during the pandemic due to less leisure usage. Is there any impact on your persistency from the pandemic?

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

Joshua, we have seen an improvement in our persistency. And it has been across all our distribution units, and it's been also in our first year premium, renewal year premiums, we have seen improvements -- significant improvements, positive improvements. And it is interesting because, as I mentioned, Larry and I have been with the company for a long time, over the years, we really have not seen much of an impact of macroeconomic conditions on persistency. Good economy, bad economy, the persistency has stayed consistent over the years. But this pandemic is different. Like I said, it's had a significant positive impact on persistency. And we -- what we draw from that is we think that because of -- every family has been affected by this pandemic in one way or the other. I think it is on people's minds. And I think it has reminded people of the importance of maintaining their life insurance coverage.

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

I was just going to say, one of the questions we have been getting is, do we think that persistency will stay past the COVID scare, if you will. In our guidance, we have assumed that we will kind of get back to more normal levels by the end of 2021, but we really do think it is a real good possibility that we will see some longer-term benefits that will have some positive impacts going beyond the end of this year. And then as we think about the sales that we are putting on the books today, we really do not see any reason why they will be any less persistent. Some will say, well, it's just because of the fear of the pandemic and once we get all the vaccines, you will have higher than normal lapses. We do not really see that.

The pandemic just increased the awareness for the need but the need is going to still be there, even after this pandemic is over. And so we just really don't see why this book of business, if you will, is going to be any less persistent long-term than what we have in our in force.

Joshua D. Shanker - BofA Securities, Research Division - MD

Is there any increased awareness of one's own mortality coming through in new sales that you hear about COVID, like I could die? I better get some life insurance. Is this happening?

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

Yes, we are definitely seeing an increased awareness of it. And we are really seeing that on our direct to consumer channel and a lot more inquiries and a lot more interest in it. But we are also seeing it in our agencies, too. But the nice thing that we have seen with respect to our direct to consumer division is that a lot of those incremental sales, we have been able -- we had the digital tools already in place to handle that increased volume. And so we are able to do that without a lot of incremental marketing costs.

And those cost savings that we are having there are allowing us to pay for, if you will, any higher mortality that maybe we are going to get from some of these higher sales. But we are seeing it in the agencies, too, just increased interest and people reaching out to actually seek out life insurance.

Joshua D. Shanker - BofA Securities, Research Division - MD

So I have 2 questions from the audience on mortality. They are similar – I will read them both but they are related. The first one is, did COVID cause excess mortality? Or pulling forward deaths from the next several years or both? If indeed there was some pull forwards of death, should we expect margins to actually return to levels better than pre-COVID levels, say like 2019 as an example. And I guess, I will ask the second one. So I guess, pull forward of death that would have happen anyway, are your margins going to get better in the future than they were in the past because people who were going to die just died a few years earlier?

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

Well, I think there is definitely some truth to that in that, especially where the deaths have largely been in the older population. So you probably have less incidence of lapses with policies that have been in force for a number of years. 97% of our COVID claims have been on policies that have been in force for 2 to 3 years or greater and about 2/3 of them have been for more than 10 years. So those are policies that probably were going to stay on the books. And so we would have arguably been paying those death claims at some point in time. Definitely a train of thought that we just pulled those forward.

It is difficult to see -- we do not have the data yet, of course, to really see what impact that might have on those margins, at least in the longer term. Logically, you'd see some benefit going forward. But right now, we do anticipate once we get past this abnormal level of claims that we are seeing this year, in 2020, and what we can expect here in 2021, we will be able to get back to those normal, what we would think would be our normal underwriting margins and typical mortality.

Joshua D. Shanker - BofA Securities, Research Division - MD

Normal, not above average, I guess, as you say?

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

Yes. At this point in time, it is difficult to see whether we really have really any meaningful impact, material impact on those margins going forward. Logically, you should have some, but right now, it's just too early to tell what we will see.

Joshua D. Shanker - BofA Securities, Research Division – MD

And similarly, just a different angle on the same question, how were you affected by above normal mortality that we have talked about? And what do you think will be the long-term impact of the current crisis, including a commentary on pricing and volume?

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

Yes. I think when we think about -- I mean, the long-term impact is that we are hopeful that, clearly, that the increased awareness sticks around for us for a while because we are -- this is a business that we believe that life insurance has to be sold. So as there becomes an increased awareness, it makes those sales arguably easier. And as we have kind of talked about the persistency, there is at least that potential for there to be some positive long-term impacts on the persistency.

From a pricing perspective, it is always something we will take a look at. We are not changing our pricing immediately just with respect to our new business just because we are having this period of higher claims from COVID. But as we do look at our overall pricing and we look at it with respect to lower interest, the interest environment, we do have premium increases from time to time to protect our underwriting margins. And so as we will take the higher expected mortality and along with lower interest rates, and we will take all that into account as we think about future premium adjustments that might be necessary.

One thing I just want to bring up with respect to that is our premiums on our policies are less than $500 annually. Many are much less than that, on many of our policies. And so we are putting in a 5% increase. You are really only talking about maybe $2 to $3 additional premium per month that somebody has to pay. So we have some price elasticity ability to do that in the markets that we serve. And while we want to be careful not to be overcharging any of our customers, we do have that ability to adjust for that, and put in some price increases on our new business.

Joshua D. Shanker - BofA Securities, Research Division – MD

Can we talk new business, has there been any changes in the mortality chart? Like is there anything COVID's done to change the outlook for mortality, I guess since January 1.

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

Not at this time. It is just too early. And so the mortality tables that we are using for our pricing haven't been changed. Eventually, the stats, if you will, and the experience from this event will work their way into the mortality tables but that will be somewhere down the road.

Joshua D. Shanker - BofA Securities, Research Division - MD

Okay. And so we have about 5 minutes left. We've really -- I think one of the most important things to talk about is your agency force. Let's really talk about their life cycle a little bit. Can you explain to the audience, the training that goes into a new prospective agent and the potential for them to be successful at Globe? How many people do you hire? How many actually turn out to be good producing agents? And how many can actually develop a revenue base that propels them to long-term success with the company?

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

Sure. Let's talk about the training first. First of all, our products are very easy to understand. So a new agent quickly is making sales presentations and each agent should be provided training in sales, recruiting and leadership development in that first 6 months. When we talk about a new agent, there is really distinctions among the 3 agencies, we use American income as an example. On average, about 10% of your agents remain in the 13th month. With that said, we also track our retention at 3, 6, and 9 month intervals. Because that leads to that retention. And that retention is an average. For some agencies would be lower, it could be 7% or 8%. Some agencies it might be 15% to 20% and really the success of an agent really depends on their income level in the first year. If an agent has an income of $50,000 to $60,000 in the first year, they are probably going to stay in the agency.

In terms of the training in that first 3 to 6 months, they just really just focus solely on sales, sales presentations, try to develop referrals, using leads, and they are learning during that to be a professional salesperson. In that next period, which will be 6 to 12 months, an agent really makes a decision to either be a sales professional going forward and many agents do that. Alternatively, they want to go on a management track. As they move into the management track, that is probably at about 6 to 12 months. They continue to sell personally, but they also start to recruit and they also get some skills in terms of time management, managing people.

As they move forward, their income is a 6-figure income as you have renewal commissions, new business commissions, they have what is called an override commission on the agents that they have recruited and put in their hierarchy. On that next year, they will move forward to the next levels of management and the income increases significantly. If you are in the top level of the middle manager, it is not unusual to have an income of middle 6 figures. In 4 or 5 years that agent/middle manager is thinking about if they want to be an agency owner. Some do not because at that income level, they are comfortable. And they want to stay as a middle manager. Most middle managers in the fourth or fifth year, think about an agency owner position.

Once they achieve that, their income is really dependent upon their efforts and how they can grow the agency. And successful agency owners in that 7 to 10-year period definitely would be middle 6 figures. It is not unusual as they move towards their tenth year, a 7-figure income is achievable. It is not uncommon in American Income.

The new agent really is having continual training. The training costs are borne by the agency owners for the most part. Our home office certainly gives data support and they also use best practices among the agencies to help the agent be successful. Joshua, does that kind of give a glimpse of what a new agent does?

Joshua D. Shanker - BofA Securities, Research Division - MD

Yes. The one question I just want to add is what percent of -- in year 1, how many new stream winners come into the system and at the end of the year one, how many of them remain?

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

In a year's time, I have to be careful because you recruit about 50% of recruits -- or 40% to 50% of recruits are going to get their agent license and then move it into the agency owner. We do not count an agent as an agent of the system until they produce their first policy. So it is a large number. And part of that is we recruit from all walks of life. There is not one type of education level, one type of background. We want real diversity in our agency. So it is hard to answer, but it would be a large number. We have currently 13,000 agents. And we would recruit much greater that number in terms of recruiting. And then each year, we would turn -- if we lose 90% of those new agents in the first year, and we added 2000 -- you can see the number might be 20,000 new agents we recruited into the system. And then those that are there in the 13th month, it's about 10% of that figure.

Joshua D. Shanker - BofA Securities, Research Division - MD

That answers that and... yeep.

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

Okay. I don’t want to under rate it, Joshua. I mean part of that is it takes a lot of time and energy and it is demanding to be a first year agent. A first year agent works a lot of weekends and evenings. And we are hoping that with virtual sales, it takes some of that pressure off that weekend and evening commitment for someone to be away from their family. But it's just -- people as they have been through the training, they have been in the system, there's other work opportunities. And I think people are much better off once they have been through the system as they learn all the skills needed to be an agent.

Joshua D. Shanker - BofA Securities, Research Division - MD

One quick question. We are out of time, but people want to know. I think the 3 of you have been at your current positions for a decade. I know Larry and Gary each have 35 years at Globe. Do investors need to be concerned about a succession plan? Should they be comfortable with the succession? Do they -- what should they know about you and your future? And given the success that you have led the company, how -- to what extent should they feel that their investment's in good hands?

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

First of all, I think the success of the company is a lot broader than the CEO. And Gary and I aren't planning to retire immediately, but Globe Life has succession planning at every level of the company, and we know it is important to our future success. Every officer every employee identifies candidates to succeed them. And they work with them to develop their abilities so they could replace that officer or that employee. Our Board of Directors has engaged in CEO succession as well as emergency succession and that process has been in place since we first became CEOs. And I feel when Gary and I retire in the future, it will be a seamless transition to the next CEO, and the company will continue to grow and do very well. Gary, anything you want to add?

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

Well, I think I would add that in the last 5 to 6 years, we really strengthened the succession planning program, and we have gone to probably lower levels then some other companies do -- and so I am confident, as Larry said, at CEO level and also levels below, people -- if we have people leave that we have got people who can step in and take their place. And we feel very confident about that.

Joshua D. Shanker - BofA Securities, Research Division – MD

Well, I am glad we got to hear that from you. And I really appreciate the time we spent together today. I am sure there will be some investors who have questions, they can reach out directly or they can reach out through me. But thanks for lending your time. May your families be healthy and safe. And hopefully we do this again 1 year from now, but we do it all together.

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

Good.

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

Sounds great. Take care.

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

Appreciate it.

Joshua D. Shanker - BofA Securities, Research Division - MD

Thanks very much. Be safe and take care.

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

Take care.

Joshua D. Shanker - BofA Securities, Research Division - MD

Bye-bye.