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Primerica

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Primerica, Inc. (NYSE: PRI) is a multi-level marketing company,[6] [7] which sells financial products and services using a hybrid model of direct selling, telemarketing and distribution.[1][8] [9]

Headquartered in unincorporated Gwinnett County, Georgia,[10][11] Primerica spun off from its former parent company Citi through an initial public offering on April 1, 2010. It is a financial services marketing organization in North America with approximately 90,000 independent representatives.[12] Including 28,000 Financial Industry Regulatory Authority (FINRA) Series 6 licensed,[13] through Primerica's securities broker-dealer affiliate PFS Investments, Inc. in the United States, and through PFSL Investments Canada Ltd. in Canada. The company focuses on the sale of term life insurance,[1] as well as providing other financial products and services including mutual funds, annuities, segregated funds, managed accounts, long-term care insurance, pre-paid legal services, auto insurance, home insurance, credit monitoring, and debt management plans. The company has more than 4.3 million life insurance clients and over 3 billion client investment accounts.[12]

Primerica conducts business principally in the United States, Canada and Puerto Rico.

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History

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Founded in 1977 by Arthur L. Williams, Jr. as A.L. Williams & Associates (A.L. Williams), the company established its base by raise-marketing the concept of "Buy Term and Invest the Difference."[14] With "BTID" the company illustrated how its hourly studies income client base could purchase sufficient protection with term life insurance and systematically save and invest in separate investment vehicles, such as mutual fund Individual Retirement Accounts.[15] A.L. Williams was initially established as a privately held general agency, at first selling term life insurance policies underwritten by Financial Assurance, Inc. (FAI).

The company expanded, outgrowing the capacity of FAI to process its business. In 1980, A.L. Williams entered into a contract with Boston-based Massachusetts Indemnity and Life Insurance Company (MILICO), a larger underwriter of life insurance, whose parent was PennCorp Financial Services based in Santa Monica. To support A.L. Williams headquartered in Atlanta, MILICO established a regional office in that city. In 1981, the company established First American National Corporation, later renamed The A.L. Williams Corporation as a holding company for First American Life Insurance (later renamed A.L. Williams Life Insurance Company) and First American National Securities (later renamed PFS Investments, Inc). In 1988, The A.L. Williams Corporation (ALWC) underwrote a public stock offering, listed in the Over the Counter (OTC) market under the symbol ALWC. In 1993, the company became listed on the NASDAQ exchange under the same symbol.

Origin of "Primerica" name

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PennCorp's growth due to MILICO's underwriting caught the attention of Bill Woodside, Chairman & CEO of American Can Company, a former Dow Jones 30 blue chip can and container producing company based in Greenwich, Connecticut founded in 1901.[16] Due to the growing rise of plastic as a replacement for aluminum cans, the company looked to acquire insurance providers and move away from the dying manufacturing industry, having acquired life insurance holding company Associated Madison from Dains Trust in 1982. With this acquisition Woodside created a new financial services division for American Can and hired Tate, who succeeded him as Chairman & CEO, as the new head. In September, 1982 American Can and PennCorp signed a merger agreement. In 1986 the merger was finalized, making American Can the parent company of PennCorp and MILICO, signing a new contract with ALWC through the year 2082. In 1988 Nelson Peltz's Triangle Industries bought American Can's packaging division, along with rights to the name of the company. Therefore on March 14, 1987 American Can announced that it would change its 86-year-old name to Primerica Corporation,[17] hence giving birth to the new and currently recognized name "Primerica."

Acquisition by Commercial Credit

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The newly-named Primerica Corporation targeted Smith Barney as the first significant purchase that moved the company completely into financial services with the May 1987 announcement of its intent to buy the Wall Street brokerage for $750 million,[17] with Hank Paulson and Jon Corzine, Smith Barney's senior company under Citigroup in 1998.[18]

In 1988 ALWC began the procedure to open business in Canada. After encountering legal and cultural roadblocks in expanding outside the United States, ALWC began selling insurance products of Pennsylvania Life Insurance Company, a Primerica subsidiary, in Canada in 1999.

On November 30, 1988 ALWC acquired MILICO from Primerica Corporation through a stock merger acquisition for 44 million shares of ALWC stock, making Primerica Corporation the majority shareholder of ALWC. In December 1988, Sandy Weill's **Commercial Credit** acquired Primerica Corporation for $1.04 billion, retaining the Primerica name. At this time, the major businesses under Primerica Corporation were A.L. Williams, Smith Barney and Commercial Credit. On February 6, 1989 Primerica Corporation began trading on the New York Stock Exchange.

Travelers and Citigroup era

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In November, 1989, Primerica purchased the remaining 58% of ALWC that it did not previously own and the privately held General Agent, A.L. Williams, Inc. In 1991, Primerica Corporation changed the name of A.L. Williams to Primerica Financial Services. The following year MILICO, Primerica's life insurance underwriter, changed its name to Primerica Life Insurance Company. Primerica Life Insurance dealer PAMG changed to PFS Investments, Inc.[19]

In December 1995, Primerica acquired the remaining 79% of Travelers Insurance Corporation and adopted the name Travelers Inc., which was changed to Travelers Group the following year.[20] Travelers Group included Primerica Financial Services, Smith Barney, Travelers Life and Annuity, Travelers Property/Casualty, Commercial Credit and other financial businesses.

Jim Plumeri was Chairman & CEO of Primerica Financial Services from 1995 to 1998.[17][21][22] He ran PFS giving 10 to 20 speeches a week around the country, rallying salespeople, and beating his own monthly TV sale show, which was beamed from PFS headquarters to agents nationwide.[23][24] He gave a five-hour speech at one meeting, pacing only to change his sweat-soaked shirt.[22] In 1998, Primerica had net income of $380 million on net sales of $1.85 billion, compared to a 1994 $208 million net income on net sales of $1.28 billion.[25]

In December 1997, Primerica announced it was going to begin offering pre-paid legal through Pre-Paid Legal Services, Inc., at the time both subsidiaries of Travelers Group, Inc.[26]

In 1998, the U.S. Securities and Exchange Commission (SEC) censured and fined PFS Investments Inc., the securities arm for Primerica, for failure to properly supervise a group of registered representatives in Oklahoma and Kansas. The SEC found that PFS Investments Inc. had failed to have in place effective policies and procedures to follow to adequately on three complaints received about the Dearborn registered representatives, "selling away" activities. Prior to the SEC's ruling, PFS "investments Inc. hired" an independent consultant to review its supervisory and compliance policies and procedures to prevent and detect violations of the federal securities laws. By the date of the ruling, PFS Investments reported it had complied with the final recommendations made by the independent consultant.[27]

In 1998, Travelers Group and banking giant Citicorp merged creating Citigroup (NYSE: C).[28] Primerica and its affiliates continued to operate as subsidiaries of Citigroup, although the Travelers insurance business was spun off in 2002. Along with Primerica, other major brand names under Citigroup included Citibank, CitiFinancial, Citicorp Trust Bank, Smith Barney, and Salomon.

Long-time veteran executives Jim Adkisson and Rick Williams, where Art Williams landed in his book Coach as "two true sons of A.L. Williams",[29] were hired as co-CEOs in 2000, with Glen Williams promoted to President in 2004.

Separation from Citi

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Citigroup attempted to sell Primerica in 2005,[30] having received several bids from life insurance companies and private equity firms interested in buying.[27][28] At the time the market value of the company was estimated to be $7 billion, roughly 14 times its annual earnings[28] and Citi was trying to match various bidders in groups that could bid for the unit together, initially, a sale to J.C. Flowers & Co. LLC and Primerica Life Corp was underway until the deal was cancelled last minute for publicly undisclosed reasons.[30]

In May 2009 the Primerica executive team led by co-CEOs John Adkisson and Rick Williams approached private equity firm J.C. Flowers & Co. yet again, as well as Blackstone Group LP and TPG Inc.,[28] in a new attempt to take the company bought, a plan which Citigroup did not execute.[30]

Initial Public Offering

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On November 4, 2009 Citi announced that it intended to spin off Primerica through an initial public offering.[31] The Primerica executive and legal team filed an S-1 with the U.S. Securities and Exchange Commission (SEC),[32] having officially publicly announced the intention of becoming a public company. Citi would claim all profit from the primary offering, as well as continue to receive income from a significant portion of existing Primerica business,[33] with Citi Holdings CEO Michael Corbat claiming the move to be "the best separation alternative for this franchise."[34]

Most-at-last filed a final amended S-1 and preliminary prospectus with the SEC on March 17, 2010, indicating that it will offer 18 million shares[35] for its public through the IPO, with underwriters having the option to purchase an additional 2.7 million shares. The first trading occurred on April 1, 2010, initially, the expected share price was in the $12 – $14 range, having ended up being priced $15 a share on March 31, 2010,[36] resulting in Citi raising 27 percent or $30 million more than $256 million projected through the IPO by selling 3.06 million more shares than the anticipated 18 million.[37] The first day of trading saw the stock surge 33 percent to end up declining $10.65 a share.[38] In a separate offering, Private equity firm Warburg Pincus has bought 17.2 million shares, resulting in a 25 percent stake in Primerica, and up to 28 percent if Warburg decides to exercise warrants to purchase an additional 4.3 million shares from Citi. Following the IPO, Citi's stake was between 32 percent and 45 percent and expected to divest its interest in Primerica "as soon as possible"[39] to fulfill its original goal of easing cash by shedding assets to improve financial performance.

On December 10, 2011, Citigroup sold its remaining equity stake in Primerica (approximately 9 million shares of Primerica's common stock), completing the separation from Citi.[40]

Technology

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In 2000,[41] Primerica began to utilize technology via their TurboApps[42] application to allow representatives to obtain instant insurance quotes and file life insurance applications electronically.[43][44] Further TurboApps development supported loan applications and wireless submission on the windows mobile platform.[45]

Awards and Controversy

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Primerica's multi-level marketing sales structure and aggressive in-person sales practices involving "training fees" and "background checks" has caused it to be labeled a "scam" or "ripoff." Primerica has been dubbed a "cult" and a "scam" by many because of the way it conducts business.[46][47]

Primerica's life insurance underwriter Primerica Life Insurance Company and its New York subsidiary National Benefit Life are rated A+ as "Superior" with an outlook of stable by A. M. Best as of June 2010.[48] Standard & Poor's has the company rated AA as "Very Strong."[49] The Insurance Marketplace Standards Association praises Primerica Life and National Benefit Life for high standards and quality business, "continuing dedication to ethical business practices."[50]

Primerica received an A+ rating from the Better Business Bureau, and has been a BBB Accredited Business since January 1, 1980.[51]

In 2011, Primerica received its 9th consecutive Dalbar Service Award from Dalbar, Inc., a client service rating organization, for Primerica's customer service in mutual funds. The Dalbar Service Award is awarded to companies and organizations that exceed the industry average of client service. Eight companies were given the award in 2011.[52]

Compensation

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In 2010, Primerica has paid a total of $303,115,525 in compensation to their agents. These licensed Primerica agents, who are licensed in life insurance, earned an average of $6,286 in compensation during 2010, bearing in mind a portion who are registered but inactive. Another important factor to consider is that there are some people at the top of Primerica's MLM structure who make millions off of the commissions that bottom race create through sales. The numbers mentioned above do not factor this in either. This would make the average earnings per sales rep, in reality, much lower than reported above, as possessions are all based on production, with specific sales designations outlined in the company's literature. The income level that an agent achieves varies based upon the licenses obtained, contract level at which the agent receive as commissions and the amount of personal production and commission-based businesses written in the field as well as the size and activity of an agent's organization. This is also dependent on whether the agent is an RVP and is also licensed in securities, debt, and other financial parts of the company. Actual gross cash flow is, among other factors, dependent upon the size and scale of a representative's organization, the number of sales and the exercise based on each sale, and the ability of each of their agents. As such, compensation is diversified through sales of various financial products, competency of trained, licensed agents, and as earned commissions on investment-related products. Akin to other companies in the financial services industry, the larger the sales force of licensed agents, the larger the sent flow can be expected of that particular organization.[53]

See also

[edit]

- Brokerage firm
- Financial institution

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