

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-08052

GLOBE LIFE INC.

(Exact name of registrant as specified in its charter)

Delaware

63-0780404

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

3700 South Stonebridge Drive, McKinney, Texas 75070

(Address of principal executive offices) (Zip Code)

(972) 569-4000

(Registrant's telephone number, including area code)

NONE

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$1.00 par value per share	GL	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒Accelerated filer ☐Non-accelerated filer ☐Smaller reporting company ☐Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding for each of the issuer's classes of common stock, as of the last practicable date.

Class	Outstanding at October 28, 2020
Common Stock, \$1.00 Par Value	104,661,999

Globe Life Inc.

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As used in this Form 10-Q, "Globe Life," the "Company," "we," "our" and "us" refer to Globe Life Inc., a Delaware corporation incorporated in 1979, its subsidiaries and affiliates.

PART I—FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements

Globe Life Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(Dollar amounts in thousands, except per share data)

	September 30, 2020	December 31, 2019
Assets:		
Investments:		
Fixed maturities—available for sale, at fair value (amortized cost: 2020—\$16,892,054; 2019—\$16,415,776, allowance for credit losses: 2020—\$4,387; 2019—\$0)	\$ 20,277,056	\$ 18,907,147
Policy loans	581,211	575,492
Other long-term investments (includes: 2020—\$326,641; 2019—\$185,851 under the fair value option)	492,884	326,347
Short-term investments	263,879	38,285
Total investments	21,615,030	19,847,271
Cash	80,101	75,933
Accrued investment income	259,697	245,129
Other receivables	458,359	441,662
Deferred acquisition costs	4,517,255	4,341,941
Goodwill	441,591	441,591
Other assets	669,860	583,933
Total assets	<u>\$ 28,041,893</u>	<u>\$ 25,977,460</u>
Liabilities:		
Future policy benefits	\$ 15,045,864	\$ 14,508,134
Unearned and advance premium	64,703	63,709
Policy claims and other benefits payable	367,453	365,402
Other policyholders' funds	97,463	96,282
Total policy liabilities	15,575,483	15,033,527
Current and deferred income taxes	1,682,060	1,476,832
Short-term debt	279,758	298,738
Long-term debt (estimated fair value: 2020—\$1,842,164; 2019—\$1,473,364)	1,667,506	1,348,988
Other liabilities	612,178	525,068
Total liabilities	19,816,985	18,683,153
Commitments and Contingencies (Note 5)		
Shareholders' equity:		
Preferred stock, par value \$1 per share—5,000,000 shares authorized; outstanding: 0 in 2020 and 2019	—	—
Common stock, par value \$1 per share—320,000,000 shares authorized; outstanding: (2020—117,218,183 issued; 2019—117,218,183 issued)	117,218	117,218
Additional paid-in-capital	536,727	531,554
Accumulated other comprehensive income (loss)	2,550,619	1,844,830
Retained earnings	6,002,407	5,551,329
Treasury stock, at cost: (2020—12,160,518 shares; 2019—9,497,940 shares)	(982,063)	(750,624)
Total shareholders' equity	8,224,908	7,294,307
Total liabilities and shareholders' equity	<u>\$ 28,041,893</u>	<u>\$ 25,977,460</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

Globe Life Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollar amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue:				
Life premium	\$ 674,021	\$ 630,824	\$ 1,994,473	\$ 1,886,314
Health premium	287,795	269,166	850,877	802,132
Other premium	1	3	4	4
Total premium	961,817	899,993	2,845,354	2,688,450
Net investment income	231,432	228,905	691,991	683,003
Realized gains (losses)	1,501	11,943	(29,386)	18,426
Other income	292	438	1,021	1,077
Total revenue	1,195,042	1,141,279	3,508,980	3,390,956
Benefits and expenses:				
Life policyholder benefits	459,231	406,963	1,340,746	1,227,616
Health policyholder benefits	184,237	170,875	546,444	511,403
Other policyholder benefits	7,508	7,854	22,571	23,792
Total policyholder benefits	650,976	585,692	1,909,761	1,762,811
Amortization of deferred acquisition costs	140,843	138,449	430,840	412,436
Commissions, premium taxes, and non-deferred acquisition costs	74,614	74,139	229,691	221,302
Other operating expense	75,397	74,575	226,693	226,412
Interest expense	21,674	21,094	65,295	63,804
Total benefits and expenses	963,504	893,949	2,862,280	2,686,765
Income before income taxes	231,538	247,330	646,700	704,191
Income tax benefit (expense)	(42,593)	(45,512)	(119,167)	(130,370)
Income from continuing operations	188,945	201,818	527,533	573,821
Income (loss) from discontinued operations, net of tax	—	—	—	(92)
Net income	\$ 188,945	\$ 201,818	\$ 527,533	\$ 573,729
Basic net income (loss) per common share:				
Continuing operations	\$ 1.78	\$ 1.85	\$ 4.95	\$ 5.24
Discontinued operations	—	—	—	—
Total basic net income per common share	\$ 1.78	\$ 1.85	\$ 4.95	\$ 5.24
Diluted net income (loss) per common share:				
Continuing operations	\$ 1.76	\$ 1.82	\$ 4.90	\$ 5.14
Discontinued operations	—	—	—	—
Total diluted net income per common share	\$ 1.76	\$ 1.82	\$ 4.90	\$ 5.14

See accompanying Notes to Condensed Consolidated Financial Statements.

Globe Life Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(Dollar amounts in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income	\$ 188,945	\$ 201,818	\$ 527,533	\$ 573,729
Other comprehensive income (loss):				
Investments:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during period	380,299	649,270	861,871	2,057,614
Other reclassification adjustments included in net income	11,838	(11,020)	37,060	(14,307)
Foreign exchange adjustment on securities recorded at fair value	1,250	(301)	(914)	183
Unrealized gains (losses) on securities	393,387	637,949	898,017	2,043,490
Unrealized gains (losses) on other investments	—	1,429	(13,260)	9,063
Total unrealized investment gains (losses)	393,387	639,378	884,757	2,052,553
Less applicable tax (expense) benefit	(82,612)	(134,272)	(185,800)	(431,037)
Unrealized gains (losses) on investments, net of tax	310,775	505,106	698,957	1,621,516
Deferred acquisition costs:				
Unrealized gains (losses) attributable to deferred acquisition costs	385	402	1,150	(2,627)
Less applicable tax (expense) benefit	(81)	(84)	(242)	552
Unrealized gains (losses) attributable to deferred acquisition costs, net of tax	304	318	908	(2,075)
Foreign exchange translation:				
Foreign exchange translation adjustments, other than securities	5,522	(4,082)	(4,973)	(1,031)
Less applicable tax (expense) benefit	(1,158)	858	1,045	218
Foreign exchange translation adjustments, other than securities, net of tax	4,364	(3,224)	(3,928)	(813)
Pension:				
Pension adjustments	4,156	2,117	12,471	6,355
Less applicable tax (expense) benefit	(873)	(443)	(2,619)	(1,334)
Pension adjustments, net of tax	3,283	1,674	9,852	5,021
Other comprehensive income (loss)	318,726	503,874	705,789	1,623,649
Comprehensive income (loss)	\$ 507,671	\$ 705,692	\$1,233,322	\$2,197,378

See accompanying Notes to Condensed Consolidated Financial Statements.

Globe Life Inc.
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)
(Dollar amounts in thousands, except per share data)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at December 31, 2019	\$ —	\$ 117,218	\$ 531,554	\$ 1,844,830	\$ 5,551,329	\$ (750,624)	\$ 7,294,307
Cumulative effect of change in accounting principles, net of tax ⁽¹⁾	—	—	—	—	(454)	—	(454)
Balance at January 1, 2020	—	117,218	531,554	1,844,830	5,550,875	(750,624)	7,293,853
Comprehensive income (loss)	—	—	—	(778,583)	165,540	—	(613,043)
Common dividends declared (\$0.1875 per share)	—	—	—	—	(19,963)	—	(19,963)
Acquisition of treasury stock	—	—	—	—	—	(166,729)	(166,729)
Stock-based compensation	—	—	(12,126)	—	(482)	21,964	9,356
Exercise of stock options	—	—	—	—	(9,539)	26,347	16,808
Balance at March 31, 2020	—	117,218	519,428	1,066,247	5,686,431	(869,042)	6,520,282
Comprehensive income (loss)	—	—	—	1,165,646	173,048	—	1,338,694
Common dividends declared (\$0.1875 per share)	—	—	—	—	(19,956)	—	(19,956)
Stock-based compensation	—	—	8,632	—	—	—	8,632
Exercise of stock options	—	—	—	—	(593)	1,310	717
Balance at June 30, 2020	—	117,218	528,060	2,231,893	5,838,930	(867,732)	7,848,369
Adoption of accounting standard	—	—	—	—	—	—	—
Comprehensive income (loss)	—	—	—	318,726	188,945	—	507,671
Common dividends declared (\$0.1875 per share)	—	—	—	—	(19,692)	—	(19,692)
Acquisition of treasury stock	—	—	—	—	—	(129,919)	(129,919)
Stock-based compensation	—	—	8,667	—	—	—	8,667
Exercise of stock options	—	—	—	—	(5,776)	15,588	9,812
Balance at September 30, 2020	<u>\$ —</u>	<u>\$ 117,218</u>	<u>\$ 536,727</u>	<u>\$ 2,550,619</u>	<u>\$ 6,002,407</u>	<u>\$ (982,063)</u>	<u>\$ 8,224,908</u>

(1) Adoption of Accounting Standard Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, on January 1, 2020. See more information in *Note 2—New Accounting Standards*.

See accompanying Notes to Condensed Consolidated Financial Statements.

Globe Life Inc.
Condensed Consolidated Statements of Shareholders' Equity (Continued)
(Unaudited)
(Dollar amounts in thousands, except per share data)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at December 31, 2018	\$ —	\$ 121,218	\$ 524,414	\$ 319,475	\$ 5,213,468	\$ (763,398)	\$ 5,415,177
Cumulative effect of change in accounting principles, net of tax ⁽¹⁾	—	—	—	—	(497)	—	(497)
Balance at January 1, 2019	—	121,218	524,414	319,475	5,212,971	(763,398)	5,414,680
Comprehensive income (loss)	—	—	—	550,592	185,345	—	735,937
Common dividends declared (\$0.1725 per share)	—	—	—	—	(18,943)	—	(18,943)
Acquisition of treasury stock	—	—	—	—	—	(110,896)	(110,896)
Stock-based compensation	—	—	(5,885)	—	(6,817)	23,261	10,559
Exercise of stock options	—	—	—	—	(7,736)	19,825	12,089
Balance at March 31, 2019	—	121,218	518,529	870,067	5,364,820	(831,208)	6,043,426
Adoption of accounting standard	—	—	—	—	105	—	105
Comprehensive income (loss)	—	—	—	569,183	186,566	—	755,749
Common dividends declared (\$0.1725 per share)	—	—	—	—	(18,838)	—	(18,838)
Acquisition of treasury stock	—	—	—	—	—	(119,201)	(119,201)
Stock-based compensation	—	—	7,989	—	—	3,267	11,256
Exercise of stock options	—	—	—	—	(18,136)	46,037	27,901
Balance at June 30, 2019	—	121,218	526,518	1,439,250	5,514,517	(901,105)	6,700,398
Comprehensive income (loss)	—	—	—	503,874	201,818	—	705,692
Common dividends declared (\$0.1725 per share)	—	—	—	—	(18,695)	—	(18,695)
Acquisition of treasury stock	—	—	—	—	—	(104,372)	(104,372)
Stock-based compensation	—	—	11,533	—	—	—	11,533
Exercise of stock options	—	—	—	—	(11,004)	28,979	17,975
Balance at September 30, 2019	\$ —	\$ 121,218	\$ 538,051	\$ 1,943,124	\$ 5,686,636	\$ (976,498)	\$ 7,312,531

(1) Adoption of ASU 2016-02, *Leases (Topic 842)*, on January 1, 2019.

See accompanying Notes to Condensed Consolidated Financial Statements.

Globe Life Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2020	2019
Cash provided from (used for) operating activities	\$ 1,078,616	\$ 1,030,175
Cash provided from (used for) investing activities:		
Investments sold or matured:		
Fixed maturities available for sale—sold	52,681	62,151
Fixed maturities available for sale—matured or other redemptions	333,631	604,701
Other long-term investments	35,547	—
Total investments sold or matured	421,859	666,852
Acquisition of investments:		
Fixed maturities—available for sale	(905,371)	(1,056,822)
Other long-term investments	(213,075)	(107,660)
Total investments acquired	(1,118,446)	(1,164,482)
Net (increase) decrease in policy loans	(5,719)	(18,826)
Net (increase) decrease in short-term investments	(225,594)	(5,270)
Additions to properties	(28,790)	(30,049)
Other investing activities	(7,099)	32
Investments in low-income housing interests	(28,669)	(16,824)
Cash provided from (used for) investing activities	(992,458)	(568,567)
Cash provided from (used for) financing activities:		
Issuance of common stock	27,337	57,573
Cash dividends paid to shareholders	(58,503)	(55,493)
Repayment of debt	(386,875)	(5,000)
Proceeds from issuance of debt	700,000	—
Payment for debt issuance costs	(5,844)	—
Net borrowing (repayment) of commercial paper	(9,605)	(76,409)
Acquisition of treasury stock	(296,648)	(334,469)
Net receipts (payments) from deposit-type products	(56,858)	(95,626)
Cash provided from (used for) financing activities	(86,996)	(509,424)
Effect of foreign exchange rate changes on cash	5,006	(6,535)
Net increase (decrease) in cash	4,168	(54,351)
Cash at beginning of year	75,933	121,026
Cash at end of period	<u>\$ 80,101</u>	<u>\$ 66,675</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

Globe Life Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(Dollar amounts in thousands, except per share data)

Note 1—Significant Accounting Policies

Business: "Globe Life", the "Company", refer to Globe Life Inc., an insurance holding company incorporated in Delaware in 1979, and Globe Life Inc. subsidiaries and affiliates. Globe Life Inc.'s direct or indirect primary subsidiaries are Globe Life And Accident Insurance Company, American Income Life Insurance Company, Liberty National Life Insurance Company, Family Heritage Life Insurance Company of America, and United American Insurance Company. The underwriting companies are owned by their ultimate corporate parent, Globe Life Inc. (the "Parent Company").

Globe Life provides a variety of life and supplemental health insurance products and annuities to a broad base of customers. The Company is organized into four reportable segments: life insurance, supplemental health insurance, annuities, and investments.

Basis of Presentation: The accompanying condensed consolidated financial statements of Globe Life have been prepared in accordance with the instructions to Form 10-Q. Therefore, they do not include all of the disclosures required by accounting principles generally accepted in the United States of America (GAAP) for annual financial statements. However, in the opinion of management, these statements include all adjustments, consisting of normal recurring adjustments, which are necessary for a fair presentation of the condensed consolidated financial position at September 30, 2020, and the condensed consolidated results of operations, comprehensive income, and cash flows for the periods ended September 30, 2020 and 2019. The interim period condensed consolidated financial statements should be read in conjunction with the *Consolidated Financial Statements that are included in the Form 10-K* filed with the Securities Exchange Commission (SEC) on February 27, 2020.

Significant Accounting Policies: The following accounting policies were updated since the 2019 Form 10-K due to the adoption of ASU 2016-13 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13.)

On January 1, 2020, the Company adopted ASU 2016-13, replacing the GAAP "incurred loss" model with a new methodology referred to as current expected credit losses (CECL). The previous methodology delayed recognition of credit losses until it was probable that a loss had incurred, ultimately resulting in fewer instances of losses being recorded in earnings. The new CECL methodology is forward looking—encompassing relevant information about historical experience, current conditions, as well as reasonable and supportable forecasts that affect the collectability of a reported amount.

The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables. The standard affected the Company's commercial mortgage loan participations (*Other long-term investments*) and agent debit balances (*Other receivables*). The Company adopted the standard using the modified retrospective method.

The Company recorded a cumulative effect adjustment, net of tax of \$454 thousand to retained earnings, consisting of \$265 thousand and \$189 thousand for commercial mortgage loan participations and agent debit balances, respectively. Refer to the table below for pre-tax amounts and *Note 4—Investments* for additional details.

	As reported on December 31, 2019	Pre-tax impact of adoption	As reported on January 1, 2020
Assets:			
Commercial mortgage loan participations	\$ 137,692	\$ (335)	\$ 137,357
Agent debit balances	423,877	(240)	423,637

Globe Life Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(Dollar amounts in thousands, except per share data)

In addition, the standard made changes to the accounting for available-for-sale debt securities through the removal of "other-than-temporary-impairment" (OTTI) write downs and replaced them with an allowance for credit losses. The new methodology will allow the Company to record reversals of credit losses in situations where the estimate of credit losses declines through current period net income (*Realized gains (losses)*).

The Company adopted the standard using the prospective transition approach for available-for-sale fixed maturities for which OTTI had been recognized prior to January 1, 2020. As a result, the amortized cost basis and the effective interest rate remain unchanged after the adoption of ASU 2016-13. Amortized cost will now be reflected as "amortized cost, net of allowance for credit losses" or "amortized cost, net." The Company has not elected the fair value option for any financial assets recorded at amortized cost that would be in scope of this standard.

Investments, Available-For-Sale Fixed Maturities: Globe Life classifies all of its fixed maturity investments as available for sale. Investments classified as available for sale are carried at fair value with unrealized gains and losses, net of taxes reflected directly in *Accumulated other comprehensive income* ("AOCI").

Income from investments is recorded in net investment income on the *Condensed Consolidated Statements of Operations*. Gains and losses from sales, maturities, or other redemptions of investments are recorded in *Realized gains (losses)*. Interest income and prepayment fees are recognized when earned. Premiums and discounts are amortized using the interest method. When amortized cost of a callable debt security exceeds the first call price, the premium is amortized to the earliest call date. Otherwise, the period of amortization or accretion generally extends from the purchase date to the maturity date.

Accrued investment income consists of interest income or dividends earned on the investment portfolio, but which are yet to be received as of the balance sheet date. The Company will write-off accrued investment income that is deemed to be uncollectable related to the fixed maturities. As a practical expedient, the Company excludes the accrued investment income from the amortized cost basis of the fixed maturity and separately reports it in another financial statement line item, *Accrued investment income*. Additionally, the amount will be excluded from disclosures within *Note 4*.

Investments, Allowance For Credit Losses For Available-For-Sale Fixed Maturities: At the onset of the evaluation, the Company individually assesses each fixed maturity to determine whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria are met, the Company will write down the fixed maturity's amortized cost basis to fair value through *Realized gains (losses)*.

If neither of the aforementioned criteria are met, the Company will evaluate whether the decline in fair value has resulted from a credit event. The Company will evaluate many factors, as further described below, to determine the present value of the expected cash flows. A credit loss occurs when the present value of the expected cash flows is less than the amortized cost basis. This will result in the recording of an allowance for credit losses as a contra asset account to the amortized cost basis with an offsetting provision for credit losses in *Realized gains (losses)* on the *Condensed Consolidated Statement of Operations*. Additionally, the CECL methodology includes a fair value floor where the allowance for credit loss for a security cannot exceed the difference between fair value and amortized cost. When it is determined that there is not a credit loss, the decline in fair value is recognized in *Other comprehensive income*.

All changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses recorded to the allowance for credit losses are management's best estimate of the uncollectability of principal and interest of a fixed maturity.

Globe Life Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(Dollar amounts in thousands, except per share data)

The evaluation of Globe Life's securities for credit losses is a process that is undertaken at least quarterly and is overseen by a team of investment and accounting professionals. The process for making this determination is highly subjective and involves the careful consideration of many factors. The factors considered include, but are not limited to:

- The Company's ability and intent to hold the security until anticipated recovery
- The reason(s) for the impairment
- The financial condition of the issuer and the prospects for recovery in fair value of the security
- Expected future cash flows

The relative weight given to each of these factors can change over time as facts and circumstances change. In many cases, management believes it is appropriate to give more consideration to prospective factors than to retrospective factors. Prospective factors that are given more weight include prospects for recovery, the Company's ability and intent to hold the security until anticipated recovery, and expected future cash flows.

Among the facts and information considered in the process are:

- Financial statements of the issuer
- Changes in credit ratings of the issuer
- The value of underlying collateral
- News and information included in press releases issued by the issuer
- News and information reported in the media concerning the issuer
- News and information published by or otherwise provided by securities, economic, or research analysts
- The nature and amount of recent and expected future sources and uses of cash
- Default on a required payment
- Corporate actions such as issuer bankruptcy filings or exchanges

The expected cash flows are determined using judgment and the best information available to the Company. Inputs used to derive expected cash flows generally include expected default rates, current levels of subordination, and estimated recovery rate. The discount rate utilized in the discounted cash flows is the effective interest rate, which is the rate of return implicit in the asset at acquisition.

Investments, Commercial Mortgage Loan Participations (Commercial Mortgage Loans): Commercial mortgage loans, a type of investment where the commercial mortgage loan is shared among investors, are accounted for as financing receivables. The commercial mortgage loans are managed by a third party. The Company purchased the legal rights to interests in commercial mortgage loans that are secured by properties such as hotels, retail, multiple family, or offices. The commercial mortgage loans typically have a term of three years with an option to extend up to two years.

The commercial mortgage loans are recorded at unpaid principal balance, net of unamortized origination fees and net of allowance for loan losses. Interest income, net of the amortization of origination fees, is recorded in *Net investment income* under the effective yield method. *Accrued investment income* on the *Condensed Consolidated Balance Sheets* consists of interest income earned on the commercial mortgage loan portfolio, but which is yet to be received as of the balance sheet date. Accrued investment income will be placed in nonaccrual status at the time the loan is 90 days delinquent or otherwise deemed to be uncollectable by management. Any currently accrued investment income will subsequently be written off. As a practical expedient, the Company excludes the accrued investment income from the amortized cost basis of the commercial mortgage loans and separately reports it in another financial statement line item, *Accrued investment income*. Additionally, the amount will be excluded from disclosures within *Note 4*. As of September 30, 2020, the accrued interest receivable for commercial mortgage loans was \$457 thousand. Commercial mortgage loans generally pay interest monthly, therefore accrued interest is typically for a period of less than 30 days. The unfunded commitment balance was \$81 million as of September 30, 2020.

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The Company evaluates the performance and credit quality of the commercial mortgage loan portfolio at least on a quarterly basis, or as needed, by utilizing common metrics such as loan-to-value and debt service coverage ratios as well as evaluating the fair value of the underlying collateral. The fair value of the underlying collateral is based on a third-party appraisal of the property at origination of the loan, and is reviewed on an annual basis thereafter, or more frequently when a loan is materially underperforming, 30 days delinquent, or in technical default. The Company determines the probability of estimated losses for the commercial mortgage loan portfolio on a pool basis each quarter and records an allowance. The allowance for credit losses is based on estimates, historical experience, probability of loss, value of the underlying collateral, and macro factors that affect the collectability of the loan. Each loan within the pool is assigned a risk rating (credit quality indicator) of low, medium, and high based on risk and expected future performance. A loan that is assigned as high risk would have a higher probability of a potential principal loss. The assigned risk category and the estimated loss rate is adjusted each quarter for current and forecasted economic factors management believes are relevant.

If management determines that foreclosure of a particular property is probable, the Company may elect the practical expedient for an individual mortgage loan to estimate the expected credit losses, which are based on the fair value of the property less amortized cost, adjusted for selling and other associated costs. See *Note 4* for current activity.

Other Receivables, Agent Debit Balances: Agent debit balances primarily represent commissions advanced to insurance agents, a common industry practice. These balances are repaid to the Company over time, generally one year, as the premiums associated with the advanced commissions are collected by the Company and a portion of the agents' commissions on such premiums are retained in order to repay the balances. The balances were \$438 million at September 30, 2020 and \$424 million at December 31, 2019. When an agent sells a policy, commissions are advanced to the agent, and the collection of the advance is made as long as the policy stays in force. While there is a susceptibility to loss should an agent terminate or excessive policy lapses occur, the ability of the Company to continue to collect an agent's commission streams over time from prior sales of policies reduces the Company's exposure to loss.

The Company has a very low inherent risk with regards to the collection of agent debit balances and views these balances as recoverable since they are, in aggregate, less than the estimated present value of future commissions discounted at a conservative rate which includes assumptions for lapses and mortality. The Company's security, or collateral, is in the form of future commission streams collected over the life of the policies sold by the respective agents, which ultimately revert to the Company in the event an agent is terminated. The Company evaluated the agent debit balances on a pool basis to determine the allowance for credit losses, as the loans have similar characteristics. A provision for credit losses will be recorded in *Realized gains (losses)* on the *Condensed Consolidated Statement of Operations* and the asset balance will be reflected as Agent Debit Balances, net of allowance for credit losses (*Other receivables*). Based on factors considered by management, there were no additional credit losses recorded during the three months ended September 30, 2020. As of September 30, 2020, the allowance for credit losses was \$1.2 million compared with \$1.0 million as of December 31, 2019.

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Note 2—New Accounting Standards

Accounting Pronouncements Adopted in the Current Year

Standard	Description	Effective Date	Effect on the Consolidated Financial Statements
ASU No. 2016-13/2019-04/2019-05, <i>Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i> , with clarification guidance issued in April 2019.	This standard ("CECL") provides financial statement users with more decision-useful information about the expected credit losses on financial instruments that are recorded at amortized cost. Additionally, it changes the loss impairment methodology for available-for-sale fixed maturities by the use of an allowance rather than a direct write down.	This standard became effective on January 1, 2020.	The Company's available-for-sale fixed maturities and other financing receivables (commercial mortgage loans and agent debit balances) were concluded to be the relevant financial assets within the scope of the standard. See Note 1 for information on the adoption and revised accounting policies.
ASU No. 2020-04, <i>Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting</i>	This standard was issued primarily to provide optional expedients for simplifying the accounting for contract modifications to existing agreements, which is expected to arise from the market's transition from LIBOR to the secured overnight financing rate (SOFR) as a result of reference rate reform.	This standard became effective upon issuance, or March 12, 2020, and will remain effective until December 31, 2022.	The Company has limited assets and liabilities that utilize LIBOR as a benchmark rate. We will continue to monitor the progress towards the establishment of a new floating rate; however, we do not expect a material impact at this time.

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Accounting Pronouncements Yet to be Adopted

Standard	Description	Effective Date	Effect on the Consolidated Financial Statements
ASU No. 2018-12/2019-09, Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts, with clarification guidance issued in November 2019.	ASU 2018-12 is a significant change to our current accounting and disclosure of long-duration contracts, which is our primary business. The guidance was primarily issued to: 1) improve the timeliness of recognizing changes in the liability for future policy benefits and modify the rate used to discount future cash flows, 2) simplify and improve the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts, 3) simplify the amortization of deferred acquisition costs, and 4) improve the effectiveness of the required disclosures.	The current effective date for this standard is January 1, 2022. On July 9, 2020, the FASB issued a proposed ASU to delay LDTI an additional year until January 1, 2023. Early adoption is available.	The Company is currently in the process of evaluating the impact this standard will have on the consolidated financial statements and disclosures, specifically assessing key accounting policies, assumption and data inputs, controls, and enhanced system solutions. Due to the overall nature of the standard, the impact on the consolidated financial statements is expected to be significant. At this time, the Company does not have an estimate of the impact. The Company does not expect to early adopt this ASU.
ASU No. 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20), Changes to the Disclosure Requirements for Defined Benefit Plans	The standard removes disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant to defined benefit plans.	This standard is effective beginning January 1, 2021, and will be applied retrospectively. Early adoption is permitted.	The Company does not expect the adoption of this standard to have a material impact on the consolidated financial statements.
ASU No. 2020-08, Codification Improvements to Subtopic 310-20, Receivables-Nonrefundable Fees and Other Costs	The standard was issued as an amendment to ASU 2017-08, and clarifies that callable debt securities with a premium should be amortized to the next call date.	This standard is effective beginning January 1, 2021, and will be applied prospectively. Early adoption is not permitted.	The Company does not expect the adoption of this standard to have an impact on the consolidated financial statements.

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Note 3—Supplemental Information about Changes to Accumulated Other Comprehensive Income

Components of Accumulated Other Comprehensive Income: An analysis of the change in balance by component of Accumulated Other Comprehensive Income is as follows for the three and nine month periods ended September 30, 2020 and 2019:

	Three Months Ended September 30, 2020				
	Available for Sale Assets	Deferred Acquisition Costs	Foreign Exchange	Pension Adjustments	Total
Balance at July 1, 2020	\$ 2,370,832	\$ (5,312)	\$ 3,766	\$ (137,393)	\$ 2,231,893
Other comprehensive income (loss) before reclassifications, net of tax	301,423	304	4,364	—	306,091
Reclassifications, net of tax	9,352	—	—	3,283	12,635
Other comprehensive income (loss)	310,775	304	4,364	3,283	318,726
Balance at September 30, 2020	<u>\$ 2,681,607</u>	<u>\$ (5,008)</u>	<u>\$ 8,130</u>	<u>\$ (134,110)</u>	<u>\$ 2,550,619</u>

	Three Months Ended September 30, 2019				
	Available for Sale Assets	Deferred Acquisition Costs	Foreign Exchange	Pension Adjustments	Total
Balance at July 1, 2019	\$ 1,552,108	\$ (6,556)	\$ 8,906	\$ (115,208)	\$ 1,439,250
Other comprehensive income (loss) before reclassifications, net of tax	513,812	318	(3,224)	—	510,906
Reclassifications, net of tax	(8,706)	—	—	1,674	(7,032)
Other comprehensive income (loss)	505,106	318	(3,224)	1,674	503,874
Balance at September 30, 2019	<u>\$ 2,057,214</u>	<u>\$ (6,238)</u>	<u>\$ 5,682</u>	<u>\$ (113,534)</u>	<u>\$ 1,943,124</u>

	Nine Months Ended September 30, 2020				
	Available for Sale Assets	Deferred Acquisition Costs	Foreign Exchange	Pension Adjustments	Total
Balance at January 1, 2020	\$ 1,982,650	\$ (5,916)	\$ 12,058	\$ (143,962)	\$ 1,844,830
Other comprehensive income (loss) before reclassifications, net of tax	669,680	908	(3,928)	—	666,660
Reclassifications, net of tax	29,277	—	—	9,852	39,129
Other comprehensive income (loss)	698,957	908	(3,928)	9,852	705,789
Balance at September 30, 2020	<u>\$ 2,681,607</u>	<u>\$ (5,008)</u>	<u>\$ 8,130</u>	<u>\$ (134,110)</u>	<u>\$ 2,550,619</u>

	Nine Months Ended September 30, 2019				
	Available for Sale Assets	Deferred Acquisition Costs	Foreign Exchange	Pension Adjustments	Total
Balance at January 1, 2019	\$ 435,698	\$ (4,163)	\$ 6,495	\$ (118,555)	\$ 319,475
Other comprehensive income (loss) before reclassifications, net of tax	1,632,819	(2,075)	(813)	—	1,629,931
Reclassifications, net of tax	(11,303)	—	—	5,021	(6,282)
Other comprehensive income (loss)	1,621,516	(2,075)	(813)	5,021	1,623,649
Balance at September 30, 2019	<u>\$ 2,057,214</u>	<u>\$ (6,238)</u>	<u>\$ 5,682</u>	<u>\$ (113,534)</u>	<u>\$ 1,943,124</u>

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Reclassification adjustments: Reclassification adjustments out of Accumulated Other Comprehensive Income are presented below for the three and nine month periods ended September 30, 2020 and 2019.

Component Line Item	Three Months Ended September 30,		Nine Months Ended September 30,		Affected line items in the Statement of Operations
	2020	2019	2020	2019	
Unrealized investment (gains) losses on available for sale assets:					
Realized (gains) losses	\$ 10,276	\$ (12,430)	\$ 32,133	\$ (18,337)	Realized (gains) losses
Amortization of (discount) premium	1,562	1,410	4,927	4,030	Net investment income
Total before tax	11,838	(11,020)	37,060	(14,307)	
Tax	(2,486)	2,314	(7,783)	3,004	Income taxes
Total after-tax	9,352	(8,706)	29,277	(11,303)	
Pension adjustments:					
Amortization of prior service cost	158	158	474	474	Other operating expense
Amortization of actuarial (gain) loss	3,998	1,959	11,997	5,881	Other operating expense
Total before tax	4,156	2,117	12,471	6,355	
Tax	(873)	(443)	(2,619)	(1,334)	Income taxes
Total after-tax	3,283	1,674	9,852	5,021	
Total reclassification (after-tax)	\$ 12,635	\$ (7,032)	\$ 39,129	\$ (6,282)	

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Note 4—Investments

Portfolio Composition: Summaries of fixed maturities available for sale by amortized cost, fair value, and allowance for credit losses at September 30, 2020 and December 31, 2019, and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) are as follows. Redeemable preferred stock is included within the corporates by sector.

As noted in *Note 1—Significant Accounting Policies*, the Company prospectively adopted ASU 2016-13 as of January 1, 2020 for the available-for-sale fixed maturities. Results after January 1, 2020 are presented under ASU 2016-13, while prior periods continue to be reported in accordance with previously applicable GAAP. See additional discussion of the allowance for credit losses later in this note.

	At September 30, 2020					
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value ⁽¹⁾	% of Total Fixed Maturities ⁽²⁾
Fixed maturities available for sale:						
U.S. Government direct, guaranteed, and government-sponsored enterprises	\$ 375,836	\$ —	\$ 95,166	\$ —	\$ 471,002	2
States, municipalities, and political subdivisions	1,703,408	—	224,303	(3,887)	1,923,824	10
Foreign governments	44,130	—	3,361	(80)	47,411	—
Corporates, by sector:						
Financial	4,335,786	—	898,119	(43,631)	5,190,274	26
Utilities	1,956,732	—	557,816	(27)	2,514,521	12
Energy	1,623,191	(4,387)	244,236	(24,389)	1,838,651	9
Other corporate sectors	6,664,488	—	1,447,649	(18,713)	8,093,424	40
Total corporates	14,580,197	(4,387)	3,147,820	(86,760)	17,636,870	87
Collateralized debt obligations	56,763	—	21,708	(9,814)	68,657	—
Other asset-backed securities	131,720	—	3,446	(5,874)	129,292	1
Total fixed maturities	\$16,892,054	\$ (4,387)	\$ 3,495,804	\$ (106,415)	\$ 20,277,056	100

(1) Amount reported in the balance sheet.

(2) At fair value.

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At December 31, 2019					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value ⁽¹⁾	% of Total Fixed Maturities ⁽²⁾
Fixed maturities available for sale:					
U.S. Government direct, guaranteed, and government-sponsored enterprises	\$ 396,079	\$ 41,737	\$ (296)	\$ 437,520	2
States, municipalities, and political subdivisions	1,559,736	158,546	(626)	1,717,656	9
Foreign governments	25,874	2,073	(396)	27,551	—
Corporates, by sector:					
Financial	4,101,917	701,196	(22,307)	4,780,806	25
Utilities	1,937,738	416,114	(1,565)	2,352,287	13
Energy	1,678,969	269,640	(33,725)	1,914,884	10
Other corporate sectors	6,514,677	955,908	(16,765)	7,453,820	40
Total corporates	14,233,301	2,342,858	(74,362)	16,501,797	88
Collateralized debt obligations	56,990	24,298	(7,184)	74,104	—
Other asset-backed securities	143,796	5,094	(371)	148,519	1
Total fixed maturities	\$16,415,776	\$ 2,574,606	\$ (83,235)	\$18,907,147	100

(1) Amount reported in the balance sheet.

(2) At fair value.

A schedule of fixed maturities available for sale by contractual maturity date at September 30, 2020 is shown below on an amortized cost, net of allowance for credit losses basis and on a fair value basis. Actual disposition dates could differ from contractual maturities due to call or prepayment provisions.

At September 30, 2020		
	Amortized Cost, net	Fair Value
Fixed maturities available for sale:		
Due in one year or less	\$ 46,963	\$ 47,877
Due after one year through five years	762,252	836,895
Due after five years through ten years	1,794,849	2,118,729
Due after ten years through twenty years	6,027,005	7,578,897
Due after twenty years	8,067,809	9,496,378
Mortgage-backed and asset-backed securities	188,789	198,280
	\$ 16,887,667	\$ 20,277,056

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Analysis of Investment Operations: Net investment income for the three and nine month periods ended September 30, 2020 and 2019 is summarized as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Fixed maturities available for sale	\$ 217,900	\$ 216,154	1	\$ 652,583	\$ 647,784	1
Policy loans	11,241	10,959	3	33,572	32,416	4
Other long-term investments ⁽¹⁾	6,925	5,105	36	18,694	12,484	50
Short-term investments	88	514	(83)	529	2,096	(75)
	236,154	232,732	1	705,378	694,780	2
Less investment expense	(4,722)	(3,827)	23	(13,387)	(11,777)	14
Net investment income	\$ 231,432	\$ 228,905	1	\$ 691,991	\$ 683,003	1

(1) For the three months ended September 30, 2020 and 2019, the investment funds, accounted for under the fair value option method, recorded \$4.0 million and \$1.5 million, respectively in net investment income. For the nine months ended September 30, 2020 and 2019, the investment funds, accounted for under the fair value option method, recorded \$10.5 million and \$4.2 million, respectively in net investment income.

Selected information about sales of fixed maturities available for sale is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Fixed maturities available for sale:				
Proceeds from sales ⁽¹⁾	\$ 661	\$ 27,154	\$ 52,681	\$ 62,151
Gross realized gains	—	1,031	2,642	1,077
Gross realized losses	(38,782)	(604)	(39,153)	(3,631)

(1) There were no unsettled sales in the periods ended September 30, 2020 and 2019.

An analysis of realized gains (losses) is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Realized investment gains (losses):				
Fixed maturities available for sale:				
Sales and other ⁽¹⁾	\$ (38,608)	\$ 12,430	\$ (27,746)	\$ 18,337
Provision for credit losses	28,332	—	(4,387)	—
Fair value option—change in fair value	12,053	(487)	(6,798)	197
Other investments	358	—	10,179	(108)
Realized gains (losses) from investments	2,135	11,943	(28,752)	18,426
Realized loss on redemption of debt	(634)	—	(634)	—
	1,501	11,943	(29,386)	18,426
Applicable tax	463	(2,508)	6,949	(3,869)
Realized gains (losses), net of tax	\$ 1,964	\$ 9,435	\$ (22,437)	\$ 14,557

(1) During the three months ended September 30, 2020 and 2019, the Company recorded \$65.8 million and \$43.7 million of exchanges of fixed maturities (noncash transactions) that resulted in \$0 and \$11.8 million, respectively in realized gains (losses). During the nine months ended September 30, 2020 and 2019, the Company recorded \$152.1 million and \$161.0 million of exchanges of fixed maturities (noncash transactions) that resulted in \$7.9 million and \$20.1 million, respectively in realized gains (losses).

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Fair Value Measurements: The following tables represent the fair value of fixed maturities measured on a recurring basis at September 30, 2020 and December 31, 2019:

Fair Value Measurement at September 30, 2020 Using:				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Fixed maturities available for sale				
U.S. Government direct, guaranteed, and government-sponsored enterprises	\$ —	\$ 471,002	\$ —	\$ 471,002
States, municipalities, and political subdivisions	—	1,923,824	—	1,923,824
Foreign governments	—	47,411	—	47,411
Corporates, by sector:				
Financial	—	5,042,580	147,694	5,190,274
Utilities	—	2,334,286	180,235	2,514,521
Energy	—	1,801,028	37,623	1,838,651
Other corporate sectors	—	7,794,758	298,666	8,093,424
Total corporates	—	16,972,652	664,218	17,636,870
Collateralized debt obligations	—	—	68,657	68,657
Other asset-backed securities	—	116,324	12,968	129,292
Total fixed maturities	\$ —	\$ 19,531,213	\$ 745,843	\$20,277,056
Percentage of total	— %	96 %	4 %	100 %

Fair Value Measurement at December 31, 2019 Using:				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Fixed maturities available for sale				
U.S. Government direct, guaranteed, and government-sponsored enterprises	\$ —	\$ 437,520	\$ —	\$ 437,520
States, municipalities, and political subdivisions	—	1,717,656	—	1,717,656
Foreign governments	—	27,551	—	27,551
Corporates, by sector:				
Financial	—	4,628,875	151,931	4,780,806
Utilities	—	2,195,539	156,748	2,352,287
Energy	—	1,873,482	41,402	1,914,884
Other corporate sectors	—	7,131,773	322,047	7,453,820
Total corporates	—	15,829,669	672,128	16,501,797
Collateralized debt obligations	—	—	74,104	74,104
Other asset-backed securities	—	135,342	13,177	148,519
Total fixed maturities	\$ —	\$ 18,147,738	\$ 759,409	\$ 18,907,147
Percentage of total	— %	96 %	4 %	100 %

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The following tables represent changes in fixed maturities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Analysis of Changes in Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Asset-backed Securities	Collateralized Debt Obligations	Corporates	Total
Balance at January 1, 2020	\$ 13,177	\$ 74,104	\$ 672,128	\$ 759,409
Included in realized gains / losses	—	—	1,213	1,213
Included in other comprehensive income	(318)	(5,220)	11,324	5,786
Acquisitions	—	—	17,820	17,820
Sales	—	—	—	—
Amortization	—	3,415	11	3,426
Other ⁽¹⁾	109	(3,642)	(38,278)	(41,811)
Transfers into Level 3 ⁽²⁾	—	—	—	—
Transfers out of Level 3 ⁽²⁾	—	—	—	—
Balance at September 30, 2020	\$ 12,968	\$ 68,657	\$ 664,218	\$ 745,843
Percent of total fixed maturities	— %	1 %	3 %	4 %

(1) Includes capitalized interest, foreign exchange adjustments, and principal repayments.

(2) Considered to be transferred at the end of the period. Transfers into Level 3 occur when observable inputs are no longer available. Transfers out of Level 3 occur when observable inputs become available.

Analysis of Changes in Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Asset-backed Securities	Collateralized Debt Obligations	Corporates	Total
Balance at January 1, 2019	\$ 12,982	\$ 73,369	\$ 553,471	\$ 639,822
Included in realized gains / losses	—	—	—	—
Included in other comprehensive income	1,043	5,745	34,971	41,759
Acquisitions	—	—	—	—
Sales	—	—	—	—
Amortization	—	3,459	10	3,469
Other ⁽¹⁾	(343)	(4,412)	(10,710)	(15,465)
Transfers into Level 3 ⁽²⁾	—	—	—	—
Transfers out of Level 3 ⁽²⁾	—	—	—	—
Balance at September 30, 2019	\$ 13,682	\$ 78,161	\$ 577,742	\$ 669,585
Percent of total fixed maturities	— %	1 %	3 %	4 %

(1) Includes capitalized interest, foreign exchange adjustments, and principal repayments.

(2) Considered to be transferred at the end of the period. Transfers into Level 3 occur when observable inputs are no longer available. Transfers out of Level 3 occur when observable inputs become available.

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The following table presents changes in unrealized gains or (losses) for the period included in other comprehensive income for assets held at the end of the reporting period for Level 3s:

	Changes in Unrealized Gains/Losses included in Other Comprehensive Income for Assets Held at the End of the Period			
	Asset-backed Securities	Collateralized Debt Obligations	Corporates	Total
At September 30, 2020	\$ (318)	\$ (5,220)	\$ 11,324	\$ 5,786
At September 30, 2019	1,043	5,745	34,971	41,759

Unrealized Loss Analysis: The following table discloses information about fixed maturities available for sale in an unrealized loss position.

	Less than Twelve Months	Twelve Months or Longer	Total
Number of issues (CUSIPs) held:			
As of September 30, 2020	172	29	201
As of December 31, 2019	82	51	133

Globe Life's entire fixed maturity portfolio consisted of 1,822 issues by 745 different issuers at September 30, 2020 and 1,633 issues by 656 different issuers at December 31, 2019. The weighted-average quality rating of all unrealized loss positions at amortized cost was BBB- as of September 30, 2020 and December 31, 2019.

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The following table discloses unrealized investment losses by class and major sector of fixed maturities available for sale for which an allowance for credit losses has not been recorded at September 30, 2020.

Analysis of Gross Unrealized Investment Losses

	At September 30, 2020					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed maturities available for sale:						
Investment grade securities:						
U.S. Government direct, guaranteed, and government-sponsored enterprises	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
States, municipalities and political subdivisions	142,060	(3,887)	—	—	142,060	(3,887)
Foreign governments	9,514	(80)	—	—	9,514	(80)
Corporates, by sector:						
Financial	246,528	(5,404)	5,897	(2,603)	252,425	(8,007)
Utilities	2,557	(27)	—	—	2,557	(27)
Energy	82,548	(4,161)	15,536	(1,388)	98,084	(5,549)
Other corporate sectors	77,577	(2,524)	—	—	77,577	(2,524)
Total corporates	409,210	(12,116)	21,433	(3,991)	430,643	(16,107)
Other asset-backed securities	29,744	(4,190)	7	—	29,751	(4,190)
Total investment grade securities	590,528	(20,273)	21,440	(3,991)	611,968	(24,264)
Below investment grade securities:						
States, municipalities and political subdivisions	—	—	—	—	—	—
Corporates, by sector:						
Financial	34,614	(5,332)	102,402	(30,292)	137,016	(35,624)
Utilities	—	—	—	—	—	—
Energy	117,927	(12,588)	43,620	(6,252)	161,547	(18,840)
Other corporate sectors	46,728	(9,281)	71,979	(6,908)	118,707	(16,189)
Total corporates	199,269	(27,201)	218,001	(43,452)	417,270	(70,653)
Collateralized debt obligations	—	—	10,186	(9,814)	10,186	(9,814)
Other asset-backed securities	—	—	12,339	(1,684)	12,339	(1,684)
Total below investment grade securities	199,269	(27,201)	240,526	(54,950)	439,795	(82,151)
Total fixed maturities	\$ 789,797	\$ (47,474)	\$ 261,966	\$ (58,941)	\$1,051,763	\$ (106,415)

Gross unrealized losses may fluctuate quarter over quarter due to adverse factors in the market that affect our holdings, such as changes in interest rates or credit spreads. As noted in *Note 1*, the Company considers many factors when determining whether a credit loss exists. While the Company holds securities that may be in an unrealized loss position from time to time, Globe Life does not intend to sell and it is likely that management will not be required to sell the fixed maturities prior to their anticipated recovery due to the strong cash flows generated by its insurance operations.

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The following table discloses unrealized investment losses by class and major sector of fixed maturities available for sale at December 31, 2019. Globe Life considered these investments to be only temporarily impaired.

Analysis of Gross Unrealized Investment Losses

	At December 31, 2019					
	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed maturities available for sale:						
Investment grade securities:						
U.S. Government direct, guaranteed, and government-sponsored enterprises	\$ 1,255	\$ (2)	\$ 21,044	\$ (294)	\$ 22,299	\$ (296)
States, municipalities and political subdivisions	66,774	(626)	—	—	66,774	(626)
Foreign governments	6,496	(396)	—	—	6,496	(396)
Corporates, by sector:						
Financial	117,389	(1,733)	7,183	(1,317)	124,572	(3,050)
Utilities	8,400	(166)	—	—	8,400	(166)
Energy	52,312	(1,058)	1,833	(115)	54,145	(1,173)
Other corporate sectors	136,386	(1,584)	61,473	(3,260)	197,859	(4,844)
Total corporates	314,487	(4,541)	70,489	(4,692)	384,976	(9,233)
Other asset-backed securities	—	—	—	—	—	—
Total investment grade securities	389,012	(5,565)	91,533	(4,986)	480,545	(10,551)
Below investment grade securities:						
States, municipalities and political subdivisions	—	—	—	—	—	—
Corporates, by sector:						
Financial	—	—	113,481	(19,257)	113,481	(19,257)
Utilities	7,529	(135)	14,985	(1,264)	22,514	(1,399)
Energy	14,968	(146)	69,956	(32,406)	84,924	(32,552)
Other corporate sectors	—	—	67,655	(11,921)	67,655	(11,921)
Total corporates	22,497	(281)	266,077	(64,848)	288,574	(65,129)
Collateralized debt obligations	—	—	12,816	(7,184)	12,816	(7,184)
Other asset-backed securities	—	—	13,879	(371)	13,879	(371)
Total below investment grade securities	22,497	(281)	292,772	(72,403)	315,269	(72,684)
Total fixed maturities	\$ 411,509	\$ (5,846)	\$ 384,305	\$ (77,389)	\$ 795,814	\$ (83,235)

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Fixed Maturities, Allowance for Credit Losses: A summary of the activity in the allowance for credit losses is as follows. Refer to *Note 1* for factors considered in the recording of the allowance for credit losses.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Allowance for credit losses beginning balance	\$ 32,719	\$ —	\$ —	\$ —
Additions to allowance for which credit losses were not previously recorded	4,387	—	37,106	—
Additions (reductions) to allowance for fixed maturities that previously had an allowance	—	—	—	—
Reduction of allowance for which the Company intends to sell or more likely than not will be required to sell or sold during the period	(32,719)	—	(32,719)	—
Allowance for credit losses ending balance	<u>\$ 4,387</u>	<u>\$ —</u>	<u>\$ 4,387</u>	<u>\$ —</u>

An energy holding in our investment portfolio, which had a credit loss allowance of \$32.7 million as of June 30, 2020, filed for Chapter 11 bankruptcy on July 31, 2020. On August 3, 2020, management sold all holdings of this company for \$660 thousand and recognized an additional realized loss of \$6 million. Total realized loss was \$38.8 million. An additional \$1 million of accrued investment income was written off.

As of September 30, 2020 and December 31, 2019, the Company did not have any fixed maturities in non-accrual status.

Other Long-Term Investments: Other long-term investments consist of the following assets:

	September 30, 2020	December 31, 2019
Investment funds	\$ 326,641	\$ 185,851
Commercial mortgage loan participations	164,902	137,692
Other	1,341	2,804
Total	<u>\$ 492,884</u>	<u>\$ 326,347</u>

The investment funds consist of limited partnerships whereby the Company has a pro-rata share of ownership ranging from 1% to 20%. For each investment, the Company has elected the fair value option, but would have been otherwise accounted for as an equity method investment. The fair value option is assessed for each individual investment and concluded at the inception of the investment. Additionally, each investment is evaluated under ASC 810, *Consolidation* to determine if it is a variable interest entity and would qualify for consolidation; none of the investments qualify for consolidation as the Company is not the primary beneficiary in any of these investments.

The investments are reported at the Company's pro-rata share of the investment fund's net asset value or its equivalent (NAV) as a practical expedient for fair value. Changes in the net asset value are recorded in *Realized gains (losses)* on the *Condensed Consolidated Statements of Operations*. Distributions received from the funds arise from income generated by the underlying investments as well as the liquidation of the underlying investments. Periodic distributions are recorded in net investment income until cumulative distributions exceed our pro-rata share of operating earnings at which point the distributions will reduce the carrying value. Our maximum exposure to loss is equal to the outstanding carrying value and future funding commitments. During the quarter, the Company has not committed to any new limited partnerships. The Company had \$50 million of capital called during the quarter from existing investment funds, reducing our unfunded commitments. Our unfunded commitments were \$408 million as of September 30, 2020.

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Commercial Mortgage Loan Participations (commercial mortgage loans): Summaries of commercial mortgage loans by property type and geographical location at September 30, 2020 and December 31, 2019 are as follows:

	September 30, 2020		December 31, 2019	
	Carrying Value	% of Total	Carrying Value	% of Total
Property type:				
Office	\$ 41,622	25	\$ 42,350	31
Mixed use	48,348	29	27,501	20
Hospitality	23,030	14	22,324	16
Industrial	17,885	11	17,612	13
Retail	19,137	12	17,318	12
Multi-family	18,599	11	10,587	8
Total recorded investment	168,621	102	137,692	100
Less allowance for credit losses	(3,719)	(2)	—	—
Carrying value, net of allowance for credit losses	\$ 164,902	100	\$ 137,692	100

	September 30, 2020		December 31, 2019	
	Carrying Value	% of Total	Carrying Value	% of Total
Geographic location:				
South Atlantic	\$ 52,397	32	\$ 50,867	37
Pacific	62,297	38	36,546	27
Middle Atlantic	28,268	17	25,328	18
East North Central	10,597	6	10,568	8
West South Central	8,971	5	8,072	6
East South Central	4,700	3	4,676	3
West North Central	1,391	1	—	—
New England	—	—	1,635	1
Total recorded investment	168,621	102	137,692	100
Less allowance for credit losses	(3,719)	(2)	—	—
Carrying value, net of allowance for credit losses	\$ 164,902	100	\$ 137,692	100

As of September 30, 2020, the Company evaluated the commercial mortgage loan portfolio on a pool basis to determine the allowance for credit losses, except for individual loans where the practical expedient was elected. At the end of the period, the Company had 25 loans in the portfolio.

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As noted in *Note 1*, the Company adopted ASU 2016-13 using the modified retrospective method for commercial mortgage loans. On January 1, 2020, a cumulative effect adjustment was recorded to retained earnings of \$335 thousand (\$265 thousand, net of tax). For the three months ended September 30, 2020, the allowance for credit losses was decreased by \$119 thousand to \$3.7 million. The provision for credit losses, recorded in Realized gains (losses) in Other investments, includes the provision for credit losses for the pool and the individual loan as described below.

The Company determined that one of the commercial mortgage loans (multi-family) was probable of foreclosure and elected the practical expedient to record the loan at the fair value of the property less amortized cost, adjusted for selling and other associated costs. As of September 30, 2020, the allowance was \$1 million.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Allowance for credit losses beginning balance	\$ 3,838	\$ —	\$ —	\$ —
Cumulative effect of adoption ASU 2016-13	—	—	335	—
Provision (reversal) for credit losses	(119)	—	3,384	—
Loans charge-off	—	—	—	—
Allowance for credit losses ending balance	<u>\$ 3,719</u>	<u>\$ —</u>	<u>\$ 3,719</u>	<u>\$ —</u>

The following table presents the aging of the amortized cost basis of delinquent commercial mortgage loans. Loans are considered delinquent after 30 days.

As of September 30, 2020	30-59 Days Delinquent	60-89 days Delinquent	Greater than 90 Days Delinquent	Total Delinquent
Commercial mortgage loans	\$ —	\$ —	\$ 3,524	\$ 3,524
Number of delinquent commercial mortgage loans	—	—	1	1

There were no delinquent commercial mortgage loans as of December 31, 2019. As of September 30, 2020, the Company had one commercial mortgage loan in non-accrual status. As of December 31, 2019, the Company did not have any commercial mortgage loans in non-accrual status. Additionally, all other commercial mortgage loans were current with respect to payment status and none of the commercial mortgage loans were classified as a troubled debt restructuring (TDR).

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The following tables are reflective of the key factors, debt service coverage ratios and loan-to-value ratios (LTVs), that are utilized by management to monitor the performance of the portfolios. The Company primarily invests in commercial mortgage loans that have a loan-to-value ratio less than 80%. Generally, higher LTV ratios can potentially equate to higher risk of loss.

September 30, 2020					
Recorded Investment					
Debt Service Coverage Ratios ⁽¹⁾					
	<1.00x	1.00x—1.20x	>1.20x	Total	% of Total
Loan-to-value ratio⁽²⁾:					
Less than 70%	\$ 15,282	\$ 107,381	\$ —	\$ 122,663	74
70% to 80%	1,368	16,753	—	18,121	11
81% to 90%	7,591	—	—	7,591	5
Greater than 90%	5,290	11,237	—	16,527	10
Total	\$ 29,531	\$ 135,371	\$ —	\$ 164,902	100

December 31, 2019					
Recorded Investment					
Debt Service Coverage Ratios ⁽¹⁾					
	<1.00x	1.00x—1.20x	>1.20x	Total	% of Total
Loan-to-value ratio⁽²⁾:					
Less than 70%	\$ 64,160	\$ 47,634	\$ 12,666	\$ 124,460	90
70% to 80%	11,445	1,787	—	13,232	10
81% to 90%	—	—	—	—	—
Greater than 90%	—	—	—	—	—
Total	\$ 75,605	\$ 49,421	\$ 12,666	\$ 137,692	100

(1) Annual net operating income divided by annual mortgage debt service (principal and interest).

(2) Loan balance divided by the fair value of the property. LTVs are generally assessed on an annual basis, or more frequently when a loan is materially underperforming, greater than 30 days delinquent, or in technical default.

Note 5—Commitments and Contingencies

Globe Life Inc. (formerly Torchmark Corporation) and its subsidiaries, in common with the insurance industry in general, are subject to litigation, including putative class action litigation, alleged breaches of contract, torts, including bad faith and fraud claims based on alleged wrongful or fraudulent acts of agents of the Parent Company's insurance subsidiaries, employment discrimination, and miscellaneous other causes of action. Based upon information presently available, and in light of legal and other factual defenses available to the Parent Company and its subsidiaries, management does not believe that it is reasonably possible that such litigation will have a material adverse effect on Globe Life's financial condition, future operating results or liquidity; however, assessing the eventual outcome of litigation necessarily involves forward-looking speculation as to judgments to be made by judges, juries and appellate courts in the future. This bespeaks caution, particularly in states with reputations for high punitive damage verdicts. Globe Life's management recognizes that large punitive damage awards bearing little or no relation to actual damages continue to be awarded by juries in jurisdictions in which the Company has substantial business, creating the potential for unpredictable material adverse judgments in any given punitive damage suit.

On September 12, 2018, putative class action litigation was filed against American Income in California's Contra Costa County Superior Court (*Joh v. American Income Life Insurance Company*, Case No. C18-01863) (*Joh Action*). An amended complaint was filed on October 18, 2018. American Income removed the case to the United

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States District Court for the Northern District of California (Case No. 3:18-cv-06364-TSH). A second amended complaint was filed on May 20, 2019. The plaintiffs, former insurance sales agents of American Income, are suing on behalf of all current and former trainees and sales agents who sold insurance for American Income in the State of California for the four years prior to the filing of the complaint. The second amended complaint alleges that such individuals are employees and asserts claims under the California Labor Code, California Business and Professions Code, and California Private Attorney General Act. The complaint seeks compensatory damages, penalties and attorney fees on claims for failure to pay wages/commissions, failure to appropriately pay agents at termination, failure to provide itemized wage statements, failure to reimburse expenses, misclassification and unfair business practices.

On October 18, 2018, putative class action litigation was filed against Torchmark Corporation and American Income in California's Los Angeles County Superior Court (*Golz v. American Income Life Insurance Company*, et al., Case No. 18STCV01354) (*Golz Action*). American Income removed the case to the United States District Court for the Central District of California (Case No. 2:18-cv-09879 R (SSx)). An amended complaint was filed on February 5, 2019. On February 6, 2019, Torchmark Corporation was dismissed without prejudice and the case proceeded with respect to American Income. On April 2, 2019, the District Court granted American Income's motion to dismiss four of the five causes of action asserted. The amended complaint's remaining claim alleges that plaintiff, as an American Income insurance agent trainee in California, was an employee who should have been compensated accordingly. The plaintiff seeks to represent a class of individuals in California who trained to contract as American Income agents and who subsequently worked as contracted agents. The class period is alleged to begin four years prior to the complaint's filing. The complaint seeks restitution under the California Business and Professions Code for alleged unfair business practices such as failure to pay minimum wage and overtime, failure to provide meal and rest breaks, and failure to reimburse business expenses. The lawsuit is currently stayed.

On December 14, 2018, putative class action litigation was filed against American Income in United States District Court for the Northern District of California (*Hamilton v. American Income Life Insurance Company*, Case No. 4:18-cv-7535-KAW) (*Hamilton Action*). An amended complaint was filed on January 23, 2019. The plaintiffs, former insurance sales agents of American Income, are suing on behalf of all current and former trainees and sales agents who sold insurance for American Income in the State of California for the last four years prior to the filing of the complaint. The lawsuit alleges that putative class members are employees and asserts claims under the California Labor Code, California Business and Professions Code, and California Private Attorney General Act. The complaint seeks compensatory damages, penalties and attorney fees on claims for failure to pay minimum wage and overtime, failure to provide meal and rest breaks, failure to appropriately pay agents at termination, failure to provide itemized wage statements, failure to reimburse expenses, misclassification and unfair business practices.

With respect to the related cases above, on August 6, 2020, the plaintiffs in the *Joh* and *Hamilton* Actions jointly moved for preliminary approval of a settlement of all class and representative claims, which broadly covers "all individuals who trained to become and/or worked as sales agents in California for Defendant during the last four years prior to the filing of the original Complaint in *Joh* and whose training and/or work began before August 16, 2019." Plaintiffs' preliminary motion anticipated that the proposed settlement would resolve all claims in the *Joh* and *Hamilton* Actions, and in doing so, encompass pending claims asserted in the *Golz Action* for the settlement period. On August 1, 2020, the Northern District of California granted the Motion for Preliminary Approval of Class Action Settlement and scheduled a hearing for final approval of the settlement for January 7, 2021.

On December 19, 2019, putative collective action litigation was filed against American Income in United States District Court for the Eastern District of Arkansas (*Patterson v. American Income Life Insurance Company*, et al, Case No. 4:19-cv-918 KGB). The plaintiff, a former insurance sales agent of American Income, is pursuing a national collective action on behalf of all "similarly situated" individuals for the three years prior to the filing of the complaint. The lawsuit alleges that insurance agent trainees should have been classified as employees and asserts claims for minimum wage, overtime, liquidated damages and attorney's fees under the Fair Labor Standards Act. The plaintiff also asserts an individual claim under the Arkansas Minimum Wage Act. American Income filed a motion to compel arbitration of plaintiff's individual claims. The motion is fully briefed and remains pending.

On February 27, 2020, putative collective action litigation was filed against American Income in United States District Court for the Western District of Pennsylvania (*Berry, et al v. American Income Life Insurance Company*, et al, Case No. 2:20-cv-00110-LPL). The plaintiffs, former insurance sales agents of American Income, are pursuing

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relief on behalf of “all individuals who trained to become and/or worked as sales agents/insurance producers for American Income Life Insurance” in the three years prior to the filing of the complaint. The lawsuit alleges that agent trainees and insurance agents should have been classified as employees. It asserts a national collective action under the Fair Labor Standards Act seeking compensation for minimum wage, overtime, expense reimbursement, missed meal and rest breaks, recoupment of certain commissions and improper recordkeeping. In addition, the lawsuit asserts a class action under the Pennsylvania Minimum Wage Act and Pennsylvania Wage Payment and Collection Law seeking similar relief. Plaintiffs also seek liquidated damages and attorney’s fees, and assert an unjust enrichment claim. On September 20, 2020, American Income’s motion to compel arbitration of the plaintiffs’ individual claims was granted. The litigation is stayed pending outcome of the individual arbitrations.

On August 5, 2020, putative class and collective action litigation was filed against American Income and National Income Life Insurance Company (“National Income”) in United States District Court for the Central District of California (*Natalie Bell, Gisele Mobley, Ashly Rai, and John Turner v. American Income Life Insurance Company and National Income Life Insurance Company*, Case No. 2:20-cv-07046). The lawsuit alleges that insurance agent trainees should have been classified as employees, and after contracting should have been classified as employees instead of independent contractors. Plaintiffs Bell and Rai are former California agents who also assert claims under California law on behalf of a putative California class, for the four years prior to February 13, 2020 through case conclusion. They make claims under (a) the California Labor Code for alleged meal and rest break violations, overtime, minimum wage, alleged failure to pay wages at the time of termination, expense reimbursement, and alleged failure to provide accurate wage statements; and (b) the California Business and Professions Code for alleged unfair business practices. They also seek liquidated damages, penalties and attorney’s fees under California law. Plaintiff Turner is a former New York agent who asserts a claim under New York law on behalf of a putative New York class for the six years prior to February 13, 2020 through case conclusion. He makes a claim under the New York Labor Law for alleged failure to pay minimum wage and overtime, and for expense reimbursement. Plaintiff Mobley is a former Florida agent who asserts a claim under Florida law on behalf of a putative Florida class for the five years prior to February 13, 2020 through case conclusion. She makes a claim under the Florida General Labor Regulations, including the Florida Minimum Wage Act, for alleged failure to pay all wages owed. The plaintiffs also assert a national collective action on behalf of all “similarly situated” individuals for minimum wage, overtime, liquidated damages, penalties, an accounting and attorney’s fees and costs under the Fair Labor Standards Act for the three years prior to February 13, 2020 through case conclusion.

With respect to the aforementioned litigation, at this time, management believes that the possibility of a material judgment adverse to the Company is remote.

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Note 6—Liability for Unpaid Claims

Activity in the liability for unpaid health claims is summarized as follows:

	Nine Months Ended September 30,	
	2020	2019
Balance at beginning of period	\$ 163,808	\$ 154,528
Incurred related to:		
Current year	439,860	454,186
Prior year	(13,136)	(851)
Total incurred	426,724	453,335
Paid related to:		
Current year	307,582	326,553
Prior year	123,066	123,803
Total paid	430,648	450,356
Balance at end of period	<u>\$ 159,884</u>	<u>\$ 157,507</u>

Below is the reconciliation of the liability of *"Policy claims and other benefits payable"* in the *Condensed Consolidated Balance Sheets*.

	September 30, 2020	December 31, 2019
Policy claims and other benefits payable:		
Life insurance	\$ 207,569	\$ 201,594
Health insurance	159,884	163,808
Total	<u>\$ 367,453</u>	<u>\$ 365,402</u>

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Note 7—Postretirement Benefits

Globe Life has qualified noncontributory defined benefit pension plans and contributory savings plans that cover substantially all employees. There is also a nonqualified noncontributory supplemental executive retirement plan (SERP) that covers a limited number of employees. The tables included herein will focus on the defined benefit plans ("Pension Plan") and SERP.

Pension Assets: The following table presents the assets of the Company's defined benefit pension plan at September 30, 2020 and December 31, 2019.

Pension Assets by Component at September 30, 2020

	Fair Value Determined by:				Total Amount	% to Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Corporate bonds:						
Financial	\$ —	\$ 53,219	\$ —	\$ 53,219	11	
Utilities	—	45,364	—	45,364	9	
Energy	—	21,100	—	21,100	4	
Other corporates	—	92,372	—	92,372	19	
Total corporate bonds	—	212,055	—	212,055	43	
Exchange traded fund ⁽¹⁾	217,649	—	—	217,649	43	
Other bonds	—	264	—	264	—	
Guaranteed annuity contract ⁽²⁾	—	30,250	—	30,250	6	
Short-term investments	18,023	—	—	18,023	4	
Other	6,883	—	—	6,883	1	
	<u>\$ 242,555</u>	<u>\$ 242,569</u>	<u>\$ —</u>	485,124	97	
Other long-term investments ⁽³⁾				15,649	3	
Total pension assets				<u>\$ 500,773</u>	<u>100</u>	

(1) A fund including marketable securities that mirror the S&P 500 index.

(2) Representing a guaranteed annuity contract issued by Globe Life Inc.'s subsidiary, American Income Life Insurance Company, to fund the obligations of the American Income Life Insurance Company Non-Exempt Employees Defined Benefit Pension Plan ("American Income Pension Plan").

(3) Included in other long-term investments is an investment fund that reports the Pension Plan's pro-rata share of the limited partnership's net asset value per share or its equivalent (NAV), as a practical expedient for fair value. The Pension Plan owns less than 1% of the investment fund. As of September 30, 2020, the expected term of the investment fund is approximately 4 years and the commitment of the investment is fully funded. The investment is non-redeemable. The investment fund strategy is opportunistic, applying a comprehensive relative value approach across various asset classes and opportunities in public and private markets, geographies, and capital structures.

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Pension Assets by Component at December 31, 2019

	Fair Value Determined by:				Total Amount	% to Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Corporate bonds:						
Financial	\$ —	\$ 51,111	\$ —	\$ 51,111	11	
Utilities	—	42,758	—	42,758	9	
Energy	—	21,907	—	21,907	5	
Other corporates	—	89,725	—	89,725	19	
Total corporate bonds	—	205,501	—	205,501	44	
Exchange traded fund ⁽¹⁾	207,176	—	—	207,176	44	
Other bonds	—	251	—	251	—	
Guaranteed annuity contract ⁽²⁾	—	28,278	—	28,278	6	
Short-term investments	8,414	—	—	8,414	2	
Other	6,876	—	—	6,876	1	
	<u>\$ 222,466</u>	<u>\$ 234,030</u>	<u>\$ —</u>	<u>456,496</u>	<u>97</u>	
Other long-term investments ⁽³⁾				12,267	3	
Total pension assets				<u>\$ 468,763</u>	<u>100</u>	

(1) A fund including marketable securities that mirror the S&P 500 index.

(2) Representing a guaranteed annuity contract issued by Globe Life Inc.'s subsidiary, American Income Life Insurance Company, to fund the obligations of the American Income Pension Plan.

(3) Included in other long-term investments is an investment fund that reports the Pension Plan's pro-rata share of the limited partnership's net asset value per share or its equivalent (NAV), as a practical expedient for fair value. The Pension Plan owns approximately 1% of the investment fund. As of December 31, 2019, the expected term of the investment fund is approximately 5 years and the unfunded commitment of the investment fund is \$4.1 million. The investment is non-redeemable. The investment fund strategy is opportunistic, applying a comprehensive relative value approach across various asset classes and opportunities in public and private markets, geographies, and capital structures.

SERP: The following table includes information regarding the SERP.

	Nine Months Ended September 30,	
	2020	2019
Premiums paid for insurance coverage	<u>\$ 2,480</u>	<u>\$ 2,394</u>

	September 30, 2020	December 31, 2019
Total investments:		
Company owned life insurance	\$ 50,985	\$ 47,733
Exchange traded funds	68,862	65,585
	<u>\$ 119,847</u>	<u>\$ 113,318</u>

Globe Life Inc.
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(Dollar amounts in thousands, except per share data)

Pension and SERP Liabilities: The following table presents liabilities for the defined benefit pension plans and SERP at September 30, 2020 and December 31, 2019.

	September 30, 2020	December 31, 2019
Defined benefit pension	\$ 602,174	\$ 578,860
SERP	87,018	86,347
Pension benefit obligation	\$ 689,192	\$ 665,207

Net Periodic Benefit Cost: The following table presents the net periodic benefit costs for the defined benefit pension plans and SERP by expense components for the three and nine months ended September 30, 2020 and 2019.

Components of Net Periodic Benefit Cost

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Service cost	\$ 6,116	\$ 4,982	\$ 18,347	\$ 14,947
Interest cost	5,653	5,964	16,951	17,892
Expected return on assets	(7,390)	(6,966)	(22,171)	(20,898)
Amortization:				
Prior service cost	158	158	474	474
Actuarial (gain) loss	3,921	1,894	11,770	5,684
Net periodic benefit cost	\$ 8,458	\$ 6,032	\$ 25,371	\$ 18,099

Note 8—Earnings Per Share

Earnings per Share: A reconciliation of basic and diluted weighted-average shares outstanding used in the computation of basic and diluted earnings per share is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Basic weighted average shares outstanding	106,146,809	108,813,355	106,622,704	109,582,748
Weighted average dilutive options outstanding	906,302	2,100,378	1,082,474	2,009,262
Diluted weighted average shares outstanding	107,053,111	110,913,733	107,705,178	111,592,010
Antidilutive shares	4,007,482	—	2,415,182	1,359,186

Antidilutive shares are excluded from the calculation of diluted earnings per share.

Globe Life Inc.
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Note 9—Debt

Short-term debt: On July 31, 2020, the Company paid down the remaining principal of \$82.5 million on the 5-year \$100 million term loan (Term Loan I) with a maturity date of May 17, 2021.

On April 9, 2020, Globe Life entered into a 364-Day Term Loan Agreement ("Term Loan II"). The Agreement provided the Company with access up to \$300 million in unsecured term loans, all maturing on April 8, 2021. Globe Life borrowed the full amount on April 15, 2020 to utilize for general corporate purposes, including additional liquidity at the Parent Company. The net proceeds from the Term Loan II were \$299.1 million. On August 17, 2020, the Company repaid \$150 million of the Term Loan II with the remaining balance of \$150 million repaid on August 26, 2020. The Company recorded a \$634 thousand loss on redemption of debt from the write off of unamortized issue expenses.

Long-term debt: On August 21, 2020, Globe Life completed the issuance and sale of \$350 million in aggregate principal amount of Globe Life's 2.15% unsecured Senior Notes due August 15, 2030. The net proceeds from the sale of the Senior Notes were \$345.8 million.

On September 3, 2020, Globe Life completed the issuance and sale of \$50 million in aggregate principal of Globe Life's 2.15% unsecured Senior Notes also due August 15, 2030. These Senior Notes were issued as additional notes under a Second Supplemental Indenture governing the 2.15% Senior Notes issued on August 21, 2020. The Senior Notes are fully fungible and have the same terms as the first issuance. The net proceeds from the sale of the Senior Notes were \$49.3 million, after giving effect to the underwriting expenses.

Globe Life utilized the total net proceeds of \$395 million to extinguish the Term Loan II and for general corporate purposes, which may include additional capital investments in its insurance subsidiaries and additional holding company liquidity.

Credit facility: On August 24, 2020, Globe Life entered into a new credit agreement, replacing the prior agreement that was due on May 17, 2021, which provides for a \$750 million revolving credit facility that may be increased to \$1.0 billion. The credit facility matures August 24, 2023 and may be extended up to two one-year periods upon the Company's request. Pursuant to this agreement, the participating lenders have agreed to make revolving loans to Globe Life and to issue secured or unsecured letters of credit. The Company has not drawn on any of the credit to date. As of September 30, 2020, the Company was in full compliance with these covenants.

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The following table presents information about the terms and outstanding balances of Globe Life's debt.

Selected Information about Debt Issues

Instrument	Issue Date	Maturity Date	Coupon Rate	Interest Payment Dates	As of			
					September 30, 2020			December 31, 2019
					Par Value	Book Value	Fair Value	Book Value
Senior notes	5/27/1993	5/15/2023	7.875%	semiannual	\$ 165,612	\$ 164,892	\$ 194,604	\$ 164,713
Senior notes ⁽¹⁾	9/24/2012	9/15/2022	3.800%	semiannual	150,000	149,331	159,212	149,089
Senior notes	9/27/2018	9/15/2028	4.550%	semiannual	550,000	544,179	655,501	543,735
Senior notes	8/21/2020	8/15/2030	2.150%	semiannual	400,000	395,091	401,152	—
Junior subordinated debentures	5/17/2016	6/15/2056	6.125%	quarterly	300,000	290,635	308,760	290,584
Junior subordinated debentures	11/17/2017	11/17/2057	5.275%	semiannual	125,000	123,378	122,935	123,367
Term loan					—	—	—	86,875
					1,690,612	1,667,506	1,842,164	1,358,363
Less current maturity of term loan					—	—	—	9,375
Total long-term debt					1,690,612	1,667,506	1,842,164	1,348,988
Current maturity of term loan					—	—	—	9,375
Commercial paper					280,000	279,758	279,758	289,363
Total short-term debt					280,000	279,758	279,758	298,738
Total debt					<u>\$1,970,612</u>	<u>\$1,947,264</u>	<u>\$2,121,922</u>	<u>\$ 1,647,726</u>

(1) An additional \$150 million par value and book value is held by insurance subsidiaries that eliminates in consolidation.

The commercial paper has the highest priority of all the debt followed by senior notes then junior subordinated debentures. The Senior notes due 2023 are noncallable, the remaining senior notes are callable under a make-whole provision, and the junior subordinated debentures are callable upon special events.

Note 10—Business Segments

Globe Life is organized into four segments: life insurance, supplemental health insurance, annuities, and investments. In addition, other expenses not included in these segments are reported in "Corporate & Other."

Globe Life's reportable insurance segments are based on the insurance product lines it markets and administers: life insurance, supplemental health insurance, and annuities. These major product lines are set out as reportable segments because of the common characteristics of products within these categories, comparability of margins, and the similarity in regulatory environment and management techniques. There is also an investment segment which manages the investment portfolio, debt, and cash flow for the insurance segments and the corporate function. The Company's chief operating decision makers evaluate the overall performance of the operations of the Company in accordance with these segments.

Life insurance products marketed by Globe Life include traditional whole life and term life insurance. Health insurance products are generally guaranteed-renewable and include Medicare Supplement, critical illness, accident, and limited-benefit supplemental hospital and surgical coverage. Annuities include fixed-benefit contracts.

Globe Life markets its insurance products through a number of distribution channels, each of which sells the products of one or more of Globe Life's insurance segments. Our distribution channels consist of the following exclusive agencies: American Income Life Division (American Income), Liberty National Division (Liberty National)

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and Family Heritage Division (Family Heritage); an independent agency, United American Division (United American); and our Direct to Consumer Division (Direct to Consumer). The tables below present segment premium revenue by each of Globe Life's distribution channels.

Premium Income by Distribution Channel

Three Months Ended September 30, 2020								
Distribution Channel	Life		Health		Annuity		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
American Income	\$ 318,917	47	\$ 27,029	9	\$ —	—	\$ 345,946	36
Direct to Consumer	227,734	34	19,017	7	—	—	246,751	26
Liberty National	73,815	11	47,199	16	—	—	121,014	13
United American	2,402	—	114,325	40	1	100	116,728	12
Family Heritage	1,081	—	80,225	28	—	—	81,306	8
Other	50,072	8	—	—	—	—	50,072	5
	<u>\$ 674,021</u>	<u>100</u>	<u>\$ 287,795</u>	<u>100</u>	<u>\$ 1</u>	<u>100</u>	<u>\$ 961,817</u>	<u>100</u>

Three Months Ended September 30, 2019								
Distribution Channel	Life		Health		Annuity		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
American Income	\$ 293,149	47	\$ 25,312	9	\$ —	—	\$ 318,461	35
Direct to Consumer	211,693	34	19,135	7	—	—	230,828	26
Liberty National	71,812	11	47,439	18	—	—	119,251	13
United American	2,602	—	103,112	38	3	100	105,717	12
Family Heritage	971	—	74,168	28	—	—	75,139	8
Other	50,597	8	—	—	—	—	50,597	6
	<u>\$ 630,824</u>	<u>100</u>	<u>\$ 269,166</u>	<u>100</u>	<u>\$ 3</u>	<u>100</u>	<u>\$ 899,993</u>	<u>100</u>

Premium Income by Distribution Channel

Nine Months Ended September 30, 2020								
Distribution Channel	Life		Health		Annuity		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
American Income	\$ 930,444	47	\$ 78,310	9	\$ —	—	\$ 1,008,754	36
Direct to Consumer	682,978	34	57,873	7	—	—	740,851	26
Liberty National	220,009	11	142,230	17	—	—	362,239	13
United American	7,373	—	337,269	39	4	100	344,646	12
Family Heritage	3,144	—	235,195	28	—	—	238,339	8
Other	150,525	8	—	—	—	—	150,525	5
	<u>\$ 1,994,473</u>	<u>100</u>	<u>\$ 850,877</u>	<u>100</u>	<u>\$ 4</u>	<u>100</u>	<u>\$ 2,845,354</u>	<u>100</u>

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Distribution Channel	Nine Months Ended September 30, 2019							
	Life		Health		Annuity		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
American Income	\$ 863,250	46	\$ 73,861	9	\$ —	—	\$ 937,111	35
Direct to Consumer	646,530	34	58,644	7	—	—	705,174	26
Liberty National	214,007	11	142,887	18	—	—	356,894	13
United American	8,000	1	308,271	39	4	100	316,275	12
Family Heritage	2,829	—	218,469	27	—	—	221,298	8
Other	151,698	8	—	—	—	—	151,698	6
	<u>\$ 1,886,314</u>	<u>100</u>	<u>\$ 802,132</u>	<u>100</u>	<u>\$ 4</u>	<u>100</u>	<u>\$ 2,688,450</u>	<u>100</u>

Due to the nature of the life insurance industry, Globe Life has no individual or group that would be considered a major customer. Substantially all of Globe Life's business is conducted in the United States.

The measure of profitability established by the chief operating decision makers for the insurance segments is underwriting margin before other income and administrative expenses, in accordance with the manner the segments are managed. It essentially represents gross profit margin on insurance products before insurance administrative expenses and consists primarily of premium less net policy benefits, acquisition expenses, and commissions. Required interest on net policy liabilities (benefit reserves less deferred acquisition costs) is reflected as a component of the Investment segment (rather than as a component of underwriting margin in the insurance and annuity segments) in order to match this cost with the investment income earned on the assets supporting the net policy liabilities.

The measure of profitability for the Investment segment is excess investment income, representing the income earned on the investment portfolio in excess of net policy requirements and financing costs associated with Globe Life's debt. Other than the above-mentioned interest allocations, no other intersegment revenues or expenses exist. Expenses directly attributable to corporate operations are included in the "Corporate & Other" category. Stock-based compensation expense is considered a corporate expense by Globe Life management and is included in this category. All other unallocated revenues and expenses on a pretax basis, including insurance administrative expense, are also included in the "Corporate & Other" segment category.

Globe Life holds a sizable investment portfolio to support its insurance liabilities, the yield from which is used to offset policy benefit, acquisition, administrative and tax expenses. This yield or investment income is taken into account when establishing premium rates and profitability expectations of its insurance products. From time to time, investments are sold or called, or experience a credit loss event, each of which are reflected by the Company as realized gain (loss)—investments. These gains or losses generally occur as a result of disposition due to issuer calls, compliance with Company investment policies, or other reasons often beyond management's control. Unlike investment income, realized gains and losses are incidental to insurance operations, and only overall yields are considered when setting premium rates or insurance product profitability expectations. While these gains and losses are not relevant to segment profitability or core operating results, they can have a material positive or negative result on net income. For these reasons, management removes realized investment gains and losses when it views its segment operations.

Management removes items that are related to prior periods when evaluating the operating results of current periods. Management also removes non-operating items unrelated to its core insurance activities when evaluating those results. Therefore, these items are excluded in its presentation of segment results, because accounting guidance requires that operating segment results be presented as management views its business. With the exception of the administrative settlements noted in the paragraphs above, all of these items are included in "Other operating expense" in the *Condensed Consolidated Statements of Operations* for the appropriate year. See additional detail below in the tables.

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(Dollar amounts in thousands, except per share data)

The following tables set forth a reconciliation of Globe Life's revenues and operations by segment to its major income statement line items. See *Note—1 Significant Accounting Policies* for additional information concerning reconciling items of segment profits to pretax income.

Three Months Ended September 30, 2020							
	Life	Health	Annuity	Investment	Corporate & Other	Adjustments	Consolidated
Revenue:							
Premium	\$ 674,021	\$ 287,795	\$ 1	\$ —	\$ —	\$ —	\$ 961,817
Net investment income	—	—	—	231,432	—	—	231,432
Other income	—	—	—	—	292	—	292
Total revenue	674,021	287,795	1	231,432	292	—	1,193,541
Expenses:							
Policy benefits	459,231	184,237	7,508	—	—	—	650,976
Required interest on reserves	(175,794)	(23,770)	(10,347)	209,911	—	—	—
Required interest on DAC	52,709	6,689	81	(59,479)	—	—	—
Amortization of acquisition costs	114,316	26,026	501	—	—	—	140,843
Commissions, premium taxes, and non-deferred acquisition costs	52,856	21,753	5	—	—	—	74,614
Insurance administrative expense ⁽¹⁾	—	—	—	—	63,008	710 ⁽²⁾	63,718
Parent expense	—	—	—	—	2,689	323 ⁽²⁾	3,012
Stock-based compensation expense	—	—	—	—	8,667	—	8,667
Interest expense	—	—	—	21,674	—	—	21,674
Total expenses	503,318	214,935	(2,252)	172,106	74,364	1,033	963,504
Subtotal	170,703	72,860	2,253	59,326	(74,072)	(1,033)	230,037
Non-operating items	—	—	—	—	—	1,033 ⁽²⁾	1,033
Measure of segment profitability (pretax)	<u>\$ 170,703</u>	<u>\$ 72,860</u>	<u>\$ 2,253</u>	<u>\$ 59,326</u>	<u>\$ (74,072)</u>	<u>\$ —</u>	231,070
Realized gain (loss)—investments							2,135
Realized loss—redemption of debt							(634)
Non-operating expenses							(1,033)
Income before income taxes per Condensed Consolidated Statements of Operations							<u>\$ 231,538</u>

(1) Administrative expense is not allocated to insurance segments.

(2) Non-operating expenses.

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(Dollar amounts in thousands, except per share data)

Three Months Ended September 30, 2019							
	Life	Health	Annuity	Investment	Corporate & Other	Adjustments	Consolidated
Revenue:							
Premium	\$ 630,824	\$ 269,166	\$ 3	\$ —	\$ —	\$ —	\$ 899,993
Net investment income	—	—	—	228,905	—	—	228,905
Other income	—	—	—	—	438	—	438
Total revenue	630,824	269,166	3	228,905	438	—	1,129,336
Expenses:							
Policy benefits	406,963	170,875	7,854	—	—	—	585,692
Required interest on reserves	(167,719)	(21,955)	(10,832)	200,506	—	—	—
Required interest on DAC	50,948	6,395	125	(57,468)	—	—	—
Amortization of acquisition costs	108,798	29,151	500	—	—	—	138,449
Commissions, premium taxes, and non-deferred acquisition costs	50,375	23,759	5	—	—	—	74,139
Insurance administrative expense ⁽¹⁾	—	—	—	—	60,570	—	60,570
Parent expense	—	—	—	—	2,472	—	2,472
Stock-based compensation expense	—	—	—	—	11,533	—	11,533
Interest expense	—	—	—	21,094	—	—	21,094
Total expenses	449,365	208,225	(2,348)	164,132	74,575	—	893,949
Subtotal	181,459	60,941	2,351	64,773	(74,137)	—	235,387
Non-operating items	—	—	—	—	—	—	—
Measure of segment profitability (pretax)	<u>\$ 181,459</u>	<u>\$ 60,941</u>	<u>\$ 2,351</u>	<u>\$ 64,773</u>	<u>\$ (74,137)</u>	<u>\$ —</u>	<u>235,387</u>
Realized gain (loss)—investments							11,943
Income before income taxes per Condensed Consolidated Statements of Operations							<u>\$ 247,330</u>

(1) Administrative expense is not allocated to insurance segments.

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(Dollar amounts in thousands, except per share data)

Nine Months Ended September 30, 2020							
	Life	Health	Annuity	Investment	Corporate & Other	Adjustments	Consolidated
Revenue:							
Premium	\$ 1,994,473	\$ 850,877	\$ 4	\$ —	\$ —	\$ —	\$ 2,845,354
Net investment income	—	—	—	691,991	—	—	691,991
Other income	—	—	—	—	1,021	—	1,021
Total revenue	1,994,473	850,877	4	691,991	1,021	—	3,538,366
Expenses:							
Policy benefits	1,340,746	546,444	22,571	—	—	—	1,909,761
Required interest on reserves	(520,207)	(69,131)	(31,135)	620,473	—	—	—
Required interest on DAC	156,934	19,790	253	(176,977)	—	—	—
Amortization of acquisition costs	346,426	82,905	1,509	—	—	—	430,840
Commissions, premium taxes, and non-deferred acquisition costs	159,369	70,304	18	—	—	—	229,691
Insurance administrative expense ⁽¹⁾	—	—	—	—	188,194	3,985	(2,3) 192,179
Parent expense	—	—	—	—	7,536	323	(3) 7,859
Stock-based compensation expense	—	—	—	—	26,655	—	26,655
Interest expense	—	—	—	65,295	—	—	65,295
Total expenses	1,483,268	650,312	(6,784)	508,791	222,385	4,308	2,862,280
Subtotal	511,205	200,565	6,788	183,200	(221,364)	(4,308)	676,086
Non-operating items	—	—	—	—	—	4,308	(2,3) 4,308
Measure of segment profitability (pretax)	\$ 511,205	\$ 200,565	\$ 6,788	\$ 183,200	\$ (221,364)	\$ —	680,394
Realized gain (loss)—investments							(28,752)
Realized loss—redemption of debt							(634)
Legal proceedings							(3,275)
Non-operating expenses							(1,033)
Income before income taxes per Condensed Consolidated Statements of Operations							\$ 646,700

(1) Administrative expense is not allocated to insurance segments.

(2) Legal proceedings.

(3) Non-operating expenses.

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(Dollar amounts in thousands, except per share data)

Nine Months Ended September 30, 2019							
	Life	Health	Annuity	Investment	Corporate & Other	Adjustments	Consolidated
Revenue:							
Premium	\$1,886,314	\$ 802,132	\$ 4	\$ —	\$ —	\$ —	\$ 2,688,450
Net investment income	—	—	—	683,003	—	—	683,003
Other income	—	—	—	—	1,077	—	1,077
Total revenue	1,886,314	802,132	4	683,003	1,077	—	3,372,530
Expenses:							
Policy benefits	1,227,616	511,403	23,792	—	—	—	1,762,811
Required interest on reserves	(496,894)	(65,131)	(32,840)	594,865	—	—	—
Required interest on DAC	151,270	19,019	383	(170,672)	—	—	—
Amortization of acquisition costs	327,407	83,508	1,521	—	—	—	412,436
Commissions, premium taxes, and non-deferred acquisition costs	150,567	70,719	16	—	—	—	221,302
Insurance administrative expense ⁽¹⁾	—	—	—	—	179,177	5,900 (2,3)	185,077
Parent expense	—	—	—	—	7,987	—	7,987
Stock-based compensation expense	—	—	—	—	33,348	—	33,348
Interest expense	—	—	—	63,804	—	—	63,804
Total expenses	1,359,966	619,518	(7,128)	487,997	220,512	5,900	2,686,765
Subtotal	526,348	182,614	7,132	195,006	(219,435)	(5,900)	685,765
Non-operating items	—	—	—	—	—	5,900 (2,3)	5,900
Measure of segment profitability (pretax)	<u>\$ 526,348</u>	<u>\$ 182,614</u>	<u>\$ 7,132</u>	<u>\$ 195,006</u>	<u>\$ (219,435)</u>	<u>\$ —</u>	691,665
Realized gain (loss)—investments							18,426
Administrative settlements							(400)
Legal proceedings							(5,500)
Income before income taxes per Condensed Consolidated Statements of Operations							<u>\$ 704,191</u>

(1) Administrative expense is not allocated to insurance segments.

(2) Administrative settlements.

(3) Legal proceedings.

CAUTIONARY STATEMENTS

We caution readers regarding certain forward-looking statements contained in the foregoing discussion and elsewhere in this document, and in any other statements made by, or on behalf of Globe Life whether or not in future filings with the Securities and Exchange Commission. Any statement that is not a historical fact, or that might otherwise be considered an opinion or projection concerning the Company or its business, whether express or implied, is meant as and should be considered a forward-looking statement. Such statements represent management's opinions concerning future operations, strategies, financial results or other developments. We specifically disclaim any obligation to update or revise any forward-looking statement because of new information, future developments, or otherwise.

Forward-looking statements are based upon estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control, including uncertainties related to the expected impact of the COVID-19 outbreak on our business operations, financial results and financial condition. If these estimates or assumptions prove to be incorrect, the actual results of Globe Life may differ materially from the forward-looking statements made on the basis of such estimates or assumptions. Whether or not actual results differ materially from forward-looking statements may depend on numerous foreseeable and unforeseeable events or developments, which may be national in scope, related to the insurance industry generally, or applicable to the Company specifically. Such events or developments could include, but are not necessarily limited to:

1. Economic and other conditions, including the COVID-19 pandemic and its impact on the U.S. economy, leading to unexpected changes in lapse rates and/or sales of our policies, as well as levels of mortality, morbidity, and utilization of health care services that differ from Globe Life's assumptions;
2. Regulatory developments, including changes in accounting standards or governmental regulations (particularly those impacting taxes and changes to the Federal Medicare program that would affect Medicare Supplement);
3. Market trends in the senior-aged health care industry that provide alternatives to traditional Medicare (such as Health Maintenance Organizations and other managed care or private plans) and that could affect the sales of traditional Medicare Supplement insurance;
4. Interest rate changes that affect product sales and/or investment portfolio yield;
5. General economic, industry sector or individual debt issuers' financial conditions (including developments and volatility arising from the COVID-19 pandemic, particularly in certain industries that may comprise part of our investment portfolio) that may affect the current market value of securities we own, or that may impair an issuer's ability to make principal and/or interest payments due on those securities;
6. Changes in the competitiveness of the Company's products and pricing;
7. Litigation results;
8. Levels of administrative and operational efficiencies that differ from our assumptions (including any reduction in efficiencies resulting from increased costs arising from operating during the COVID-19 pandemic);
9. The ability to obtain timely and appropriate premium rate increases for health insurance policies from our regulators;
10. The customer response to new products and marketing initiatives;
11. Reported amounts in the consolidated financial statements which are based on management estimates and judgments which may differ from the actual amounts ultimately realized;
12. Compromise by a malicious actor or other event that causes a loss of secure data from, or inaccessibility to, our computer and other information technology systems;
13. The severity, magnitude and impact of the COVID-19 pandemic, including effects of the pandemic and the effects of the U.S. and state governments' and other businesses' response to the pandemic, on our operations and personnel, and on commercial activity and demand for our products; and
14. Our ability to access the commercial paper and debt markets, particularly if such markets become unpredictable or unstable for a certain period as a result of the COVID-19 pandemic.

Readers are also directed to consider other risks and uncertainties described in other documents on file with the Securities and Exchange Commission.

GLOBE LIFE INC.
Management's Discussion & Analysis

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Globe Life's *Condensed Consolidated Financial Statements* and *Notes* thereto appearing elsewhere in this report.

"Globe Life" and the "Company" refer to Globe Life Inc. and its subsidiaries and affiliates.

Results of Operations



How Globe Life Views Its Operations. Globe Life Inc. is the holding company for a group of insurance companies that market primarily individual life and supplemental health insurance to lower middle to middle income households throughout the United States. We view our operations by segments, which are the insurance product lines of life, supplemental health, and annuities, and the investment segment that supports the product lines. Segments are aligned based on their common characteristics, comparability of the profit margins, and management techniques used to operate each segment.



Insurance Product Line Segments. The insurance product line segments involve the marketing, underwriting, and administration of policies. Each product line is further segmented by the various distribution channels that market the insurance policies. Each distribution channel operates in a niche market offering insurance products designed for that particular market. Whether analyzing profitability of a segment as a whole, or the individual distribution channels within the segment, the measure of profitability used by management is the underwriting margin, as seen below:

Premium revenue
(Policy obligations)
(Policy acquisition costs and commissions)
Underwriting margin



Investment Segment. The investment segment involves the management of our capital resources, including investments and the management of corporate debt and liquidity. Our measure of profitability for the investment segment is excess investment income, as seen below:

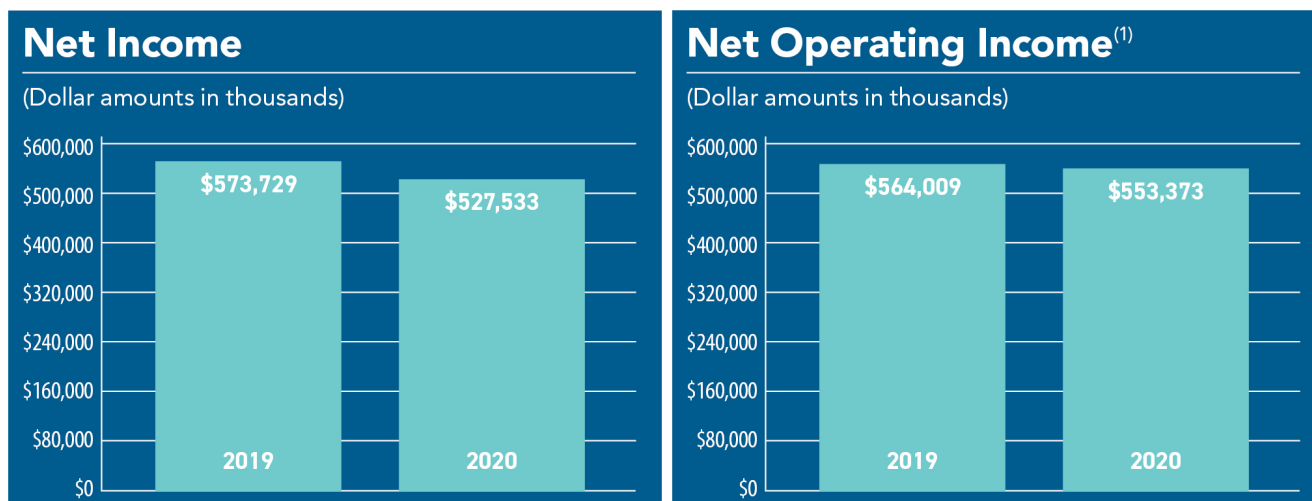
Net investment income
(Required interest on net policy liabilities)
(Financing costs)
Excess investment income

GLOBE LIFE INC.
Management's Discussion & Analysis

Current Highlights, comparing year to date 2020 with 2019.

- Net income as a return on equity ("ROE") for the nine months ended September 30, 2020 was 9.4% and net operating income as an ROE, excluding net unrealized gains on the fixed maturity portfolio⁽¹⁾ was 13.6%.
- Total premium increased 6% over the same period in the prior year. Life premium increased 6% for the period from \$1.9 billion in 2019 to \$2.0 billion in 2020. Life underwriting margin declined 3% from \$526 million in 2019 to \$511 million in 2020.
- Net investment income increased 1% over the same period in the prior year. Excess investment income declined 6% below the prior year.
- Total net sales increased over the same period in the prior year from \$451 million to \$473 million.
- Book value per share increased 18% over the same period in the prior year from \$65.96 to \$77.60. Book value per share, excluding net unrealized gains on the fixed maturity portfolio⁽¹⁾, increased 10% over the prior year from \$47.58 to \$52.39.
- The Company incurred \$40 million of life claims as a result of the novel coronavirus (COVID-19) through September 30, 2020.
- For the nine months ended September 30, 2020, the Company has repurchased 3.1 million shares of Globe Life Inc. common stock at a total cost of \$257 million and an average share price of \$83.74.

The following graphs represent net income and net operating income from continuing operations for the nine months ended September 30, 2020 and 2019.



(1) Net operating income is the consolidated total of segment profits after tax and as such is considered a non-GAAP measure. It has been used consistently by Globe Life's management for many years to evaluate the operating performance of the Company. It differs from net income primarily because it excludes certain non-operating items such as realized gains and losses and certain significant and unusual items included in net income. Net income is the most directly comparable GAAP measure.

Net operating income as an ROE, excluding net unrealized gains on the fixed maturity portfolio, is considered a non-GAAP measure. Management utilizes this measure to view the business without the effect of the net unrealized gains, which are primarily attributable to fluctuation in interest rates on the available-for-sale portfolio. The impact of the adjustment to exclude net unrealized gains on fixed maturities is \$2.7 billion and \$2.0 billion for 2020 and 2019, respectively.

Book value per share, excluding net unrealized gains on the fixed maturity portfolio, is also considered a non-GAAP measure. Management utilizes this measure to view the book value of the business without the effect of net unrealized gains, which are primarily attributable to fluctuation in interest rates on the available for sale portfolio. The impact of the adjustment to exclude net unrealized gains on fixed maturities is \$25.21 and \$18.38 for 2020 and 2019, respectively.

Refer to *Analysis of Profitability by Segment* for non-GAAP reconciliation to GAAP.

GLOBE LIFE INC.
Management's Discussion & Analysis

COVID-19. The Company continues to monitor the impact of COVID-19 on the Company's business, distribution channels, employees, and policyholders. The Company has transitioned its employees, agents and customers from an in-person experience to one that is primarily virtual. Despite the challenges created by the pandemic, the Company continues to effectively conduct business operations through its various distribution channels.

With respect to the impact of COVID-19 on our underwriting results for the full year 2020, we are estimating that we will incur \$56 million of COVID-19 related life claims, primarily in our Direct to Consumer Division. We are not anticipating the policy obligations of our health segment to be significantly impacted by the COVID-19 pandemic in 2020. These estimates are dependent on many variables, including the effect of efforts to reopen the economy, the timing and availability of effective treatments for the disease, and the actual ages and states in which infections and deaths occur.

GLOBE LIFE INC.
Management's Discussion & Analysis

Summary of Operations. Net income declined 8% to \$528 million during the nine months ended September 30, 2020, compared with \$574 million in the same period in 2019. This decrease was primarily attributed to \$22 million of after tax realized losses on available-for-sale fixed maturities. See further discussion under the caption *Investments*. On a diluted per common share basis, net income per common share for the nine months ended September 30, 2020 declined 5% from \$5.14 to \$4.90.

Net operating income is the consolidated total of segment profits after-tax and as such is considered a non-GAAP measure. Net operating income declined 2% to \$553 million for the nine months ended September 30, 2020, compared with \$564 million for the same period in 2019. On a diluted per common share basis, net operating income per common share for the nine months ended September 30, 2020 increased 2% from \$5.05 to \$5.14.

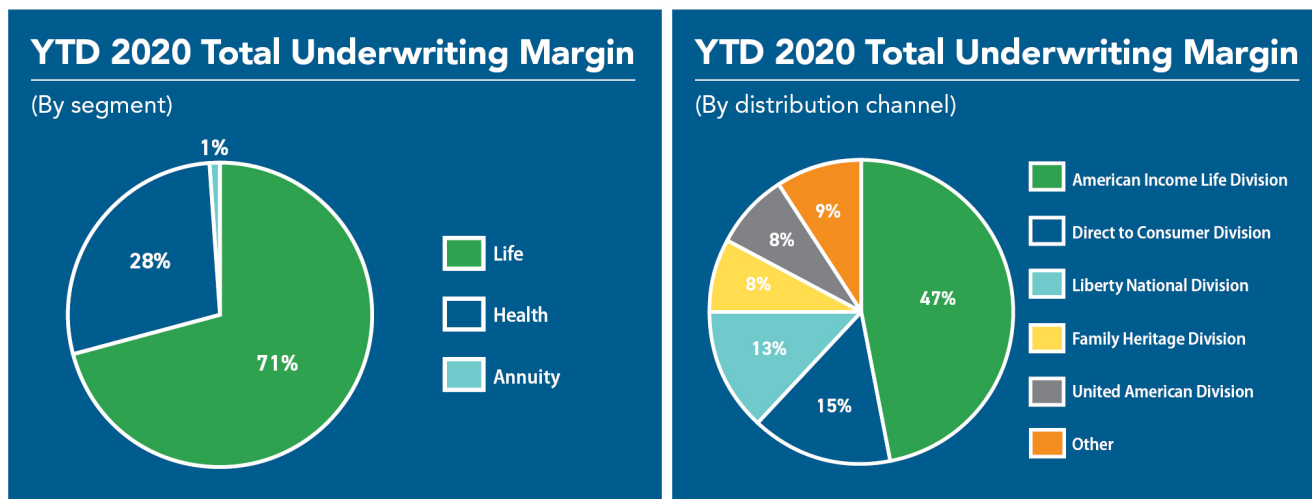
Globe Life's operations on a segment-by-segment basis are discussed in depth below. Net operating income has been used consistently by management for many years to evaluate the operating performance of the Company, and is a measure commonly used in the life insurance industry. It differs from net income primarily because it excludes certain non-operating items such as realized investment gains and losses and other significant and unusual items included in net income. Management believes an analysis of net operating income is important in understanding the profitability and operating trends of the Company's business. Net income is the most directly comparable GAAP measure.

Analysis of Profitability by Segment
(Dollar amounts in thousands)

	Nine Months Ended September 30,			
	2020	2019	Change	%
Life insurance underwriting margin	\$ 511,205	\$ 526,348	\$ (15,143)	(3)
Health insurance underwriting margin	200,565	182,614	17,951	10
Annuity underwriting margin	6,788	7,132	(344)	(5)
Excess investment income	183,200	195,006	(11,806)	(6)
Other insurance:				
Other income	1,021	1,077	(56)	(5)
Administrative expense	(188,194)	(179,177)	(9,017)	5
Corporate and other	(34,191)	(41,335)	7,144	(17)
Pre-tax total	680,394	691,665	(11,271)	(2)
Applicable taxes	(127,021)	(127,656)	635	—
Net operating income	553,373	564,009	(10,636)	(2)
Reconciling items, net of tax:				
Realized gain (loss)—investments	(21,936)	14,557	(36,493)	
Realized loss—redemption of debt	(501)	—	(501)	
Part D adjustments—discontinued operations	—	(92)	92	
Administrative settlements	—	(400)	400	
Non-operating expenses	(816)	—	(816)	
Legal proceedings	(2,587)	(4,345)	1,758	
Net income	\$ 527,533	\$ 573,729	\$ (46,196)	(8)

GLOBE LIFE INC.
Management's Discussion & Analysis

In the first nine months of 2020, the largest contributor of total underwriting margin was the life insurance segment and the primary distribution channel was American Income Life Division. The following tables represent the breakdown of total underwriting margin by operating segment and distribution channel for the nine months ended September 30, 2020.



Total premium income rose 6% for the nine months ended September 30, 2020 to \$2.8 billion. Total net sales increased 5% to \$473 million, when compared with the same period in 2019. Total first-year collected premium was \$405 million for the 2020 period, compared with \$365 million for the 2019 period.

Life insurance premium income increased 6% to \$2.0 billion over the prior year total of \$1.9 billion. Life net sales rose 9% to \$353 million for the first nine months of 2020. First-year collected life premium rose 11% to \$273 million. Life underwriting margins, as a percent of premium, declined to 26% in 2020 from 28% in the prior year. Underwriting margin declined to \$511 million for the nine months ended September 30, 2020, 3% below the same period in 2019. The decline in the underwriting margin is primarily due to \$40 million of claims related to COVID-19 incurred during the first nine months of 2020. The Company is expecting to see decreased life underwriting margins as a percent of premium for the full year 2020 as a result of \$56 million in estimated COVID-19 related life claims.

Health insurance premium income increased 6% to \$851 million over the prior year total of \$802 million. Health net sales fell 5% to \$121 million for the first nine months of 2020. First-year collected health premium rose 12% to \$132 million. Health underwriting margins, as a percent of premium, increased to 24% in 2020 compared with 23% in 2019. Underwriting margin increased to \$201 million for the first nine months of 2020, 10% over the same period in 2019.

Excess investment income, the measure of profitability of our investment segment, declined 6% during the first nine months of 2020 to \$183 million from \$195 million in the same period in 2019. Excess investment income per common share, reflecting the impact of our share repurchase program, declined 3% to \$1.70 from \$1.75 in the same period last year.

Insurance administrative expenses increased 5.0% in 2020 when compared with the prior year period. These expenses were 6.6% as a percent of premium during the first nine months of 2020, compared with 6.7% a year earlier.

For the nine months ended September 30, 2020, the Company repurchased 3.1 million Globe Life Inc. shares at a total cost of \$257 million for an average share price of \$83.74.

GLOBE LIFE INC.
Management's Discussion & Analysis

A discussion of each of Globe Life's segments follows. A significant factor in the performance of our various segments has been the impact of COVID-19. In response to this crisis, our crisis management and incident response teams have successfully guided the Company into a smooth transition of working remotely. We quickly transitioned those employees whose jobs did not require them to be in the office, approximately 80-85% of the Company's total workforce, to working remotely. The Company has continued to operate effectively while taking steps to help ensure the health and safety of our employees through adherence to the CDC and local government work guidelines.

With over 13 thousand exclusive agents in the field, the Company was presented with a challenge to move from face-to-face sales presentations in customers' homes and businesses to a virtual sales process. The Company's agencies also had to move from in-person recruiting and training of new agents to virtual processes. While not without its challenges, the Company's exclusive agency divisions have been able to quickly pivot and continue to write new business and hire new agents due in part to new and updated information technology systems that we have put in place over the last several years. Through the nine months ended September 30, 2020, the Company has seen a 24% increase in agent count at American Income and a 19% increase at Family Heritage compared with the prior year comparable period. Growth in agent count during the third quarter of 2020 for American Income and Family Heritage was 11% and 20%, respectively.

Our Direct to Consumer Division continues to experience record high demand for its products through its internet and inbound phone call channels with a 50% increase in net sales for three months ended September 30, 2020 compared with the prior quarter comparable period and a 31% increase in net life sales for nine months ended September 30, 2020 compared with the prior year comparable period. The Company has often seen through the years that times of crisis highlight the need for basic life protection and this has proven true with this pandemic.

The discussions of our segments are presented in the manner we view our operations, as described in *Note 10—Business Segments*.

We use three statistical measures as indicators of premium growth and sales over the near term: “annualized premium in force,” “net sales,” and “first-year collected premium.”

- Annualized premium in force is defined as the premium income that would be received over the following twelve months at any given date on all active policies if those policies remain in force throughout the twelve-month period. Annualized premium in force is an indicator of potential growth in premium revenue.
- Net sales is annualized premium issued (gross premium that would be received during the policies' first year in force and assuming that none of the policies lapsed or terminated), net of cancellations in the first thirty days after issue, except in the case of our Direct to Consumer Division, where net sales is annualized premium issued at the time the first full premium is paid after any introductory offer period has expired. Management considers net sales to be a better indicator of the rate of premium growth as compared with annualized premium issued.
- First-year collected premium is defined as the premium collected during the reporting period for all policies in their first policy year. First-year collected premium takes lapses into account in the first year when lapses are more likely to occur, and thus is a useful indicator of how much new premium is expected to be added to premium income in the future.

While it is difficult to predict sales activity in this uncertain environment, the Company is expecting net life sales to increase 12% for the full year, while health sales are expected to be down 5%. Due to the strength of the Company's policies in force, we still expect our total life premiums to grow around 6% for the full year and our total health premiums to grow by 6%. See further discussion of the distribution channels below for *Life* and *Health*.

GLOBE LIFE INC.
Management's Discussion & Analysis

LIFE INSURANCE

Life insurance is the Company's predominant segment. During the first nine months of 2020, life premium represented 70% of total premium and life underwriting margin represented 71% of the total. Additionally, investments supporting the reserves for life products produce the majority of excess investment income attributable to the investment segment.

The following table presents the summary of results of life insurance. Further discussion of the results by distribution channel is included below.

Life Insurance
Summary of Results
(Dollar amounts in thousands)

	Nine Months Ended September 30,				Increase (Decrease)	
	2020		2019			
	Amount	% of Premium	Amount	% of Premium	Amount	%
Premium and policy charges	\$ 1,994,473	100	\$ 1,886,314	100	\$ 108,159	6
Policy obligations	1,340,746	67	1,227,616	65	113,130	9
Required interest on reserves	(520,207)	(26)	(496,894)	(26)	(23,313)	5
Net policy obligations	820,539	41	730,722	39	89,817	12
Commissions, premium taxes, and non-deferred acquisition expenses	159,369	8	150,567	8	8,802	6
Amortization of acquisition costs	503,360	25	478,677	25	24,683	5
Total expense	1,483,268	74	1,359,966	72	123,302	9
Insurance underwriting margin	\$ 511,205	26	\$ 526,348	28	\$ (15,143)	(3)

The lower life insurance underwriting margins for the nine months ended September 30, 2020 are primarily attributed to approximately \$40 million of higher claims as a result of COVID-19.

The following table presents Globe Life's life insurance premium by distribution channel.

Life Insurance
Premium by Distribution Channel
(Dollar amounts in thousands)

	Nine Months Ended September 30,				Increase (Decrease)	
	2020		2019			
	Amount	% of Total	Amount	% of Total	Amount	%
American Income	\$ 930,444	47	\$ 863,250	46	\$ 67,194	8
Direct to Consumer	682,978	34	646,530	34	36,448	6
Liberty National	220,009	11	214,007	11	6,002	3
Other	161,042	8	162,527	9	(1,485)	(1)
Total	\$ 1,994,473	100	\$ 1,886,314	100	\$ 108,159	6

Annualized life premium in force was \$2.72 billion at September 30, 2020, an increase of 6% over \$2.56 billion a year earlier.

Globe Life Inc.
Management's Discussion & Analysis

An analysis of life net sales, an indicator of new business production, by distribution channel is presented below.

Life Insurance
Net Sales by Distribution Channel

(Dollar amounts in thousands)

	Nine Months Ended September 30,				Increase (Decrease)	
	2020		2019			
	Amount	% of Total	Amount	% of Total	Amount	%
American Income	\$ 182,091	52	\$ 178,291	55	\$ 3,800	2
Direct to Consumer	126,196	36	96,420	30	29,776	31
Liberty National	36,866	10	39,100	12	(2,234)	(6)
Other	7,688	2	9,265	3	(1,577)	(17)
Total	\$ 352,841	100	\$ 323,076	100	\$ 29,765	9

First-year collected life premium by distribution channel is presented in the table below.

Life Insurance
First-Year Collected Premium by Distribution Channel

(Dollar amounts in thousands)

	Nine Months Ended September 30,				Increase (Decrease)	
	2020		2019			
	Amount	% of Total	Amount	% of Total	Amount	%
American Income	\$ 157,178	57	\$ 145,445	59	\$ 11,733	8
Direct to Consumer	76,193	28	62,667	25	13,526	22
Liberty National	31,953	12	29,663	12	2,290	8
Other	7,817	3	8,818	4	(1,001)	(11)
Total	\$ 273,141	100	\$ 246,593	100	\$ 26,548	11

A discussion of life operations by distribution channel follows.

The **American Income Life Division** markets to members of labor unions and continues to diversify its lead sources by building relationships with other affinity groups, utilizing third-party internet vendor leads, and obtaining referrals to facilitate sustainable growth. This division is Globe Life's largest contributor to life premium of any distribution channel at 47% of the Company's 2020 year-to-date total. Net sales increased 2% to \$182 million during the first nine months of 2020 over the 2019 total for the same period of \$178 million. The underwriting margin, as a percent of premium, was 32% for the nine months ended September 30, 2020, down from 34% in the year-ago period.

This division is anticipating an increase in net sales for 2020 as compared to 2019. However, due to higher mortality from the pandemic, the underwriting margin as a percent of premium, is likely to be slightly lower.

Globe Life Inc.
Management's Discussion & Analysis

Below is the average producing agent count at the end of the period for the American Income Life Division. The average producing agent count is based on the actual count at the end of each week during the year. The division saw a large increase in activity during the quarter as we continue to see a significant pool of high quality candidates due to current unemployment levels.

	At September 30,		Change	
	2020	2019	Amount	%
American Income	8,437	7,269	1,168	16

American Income Life continues to focus on growing and strengthening the agency force, specifically through emphasis on middle-management growth and additional agency office openings. In addition to offering financial incentives and training opportunities, the agency has made considerable investments in information technology, including launching a lead mapping and customer relationship management (CRM) tool for the agency force. We anticipate this tool will help enhance agent productivity and agent retention.

The **Direct to Consumer Division (DTC)** offers adult and juvenile life insurance through a variety of marketing approaches, including direct mail, insert media, and electronic media. In recent years, electronic media production has grown rapidly as management has aggressively increased marketing activities related to internet and mobile technology as well as focused on driving traffic to our inbound call center. The different approaches support and complement one another in the division's efforts to reach the consumer. The DTC's long-term growth has been fueled by constant innovation and name recognition. We continually introduce new initiatives in this division in an attempt to increase response rates.

While the juvenile market is an important source of sales, it also is a vehicle to reach the parents and grandparents of juvenile policyholders, who are more likely to respond favorably to a DTC solicitation for life coverage on themselves in comparison to the general adult population. Also, both juvenile policyholders and their parents are low acquisition-cost targets for sales of additional coverage over time.

The DTC division saw record high demand of its life insurance products in the current quarter through its internet and inbound phone channels as a result of the response from COVID-19. Our continued investments in technology have allowed us to successfully serve the higher demands for our products through the digital self-serve and phone channels. If this level of activity continues as a result of COVID-19 response, net sales are expected to be higher during the remainder of 2020 as compared to the same period in 2019.

DTC's underwriting margin, as a percent of premium, was 15% for the nine months ended September 30, 2020, which was lower than the 18% result during the same period in 2019 primarily due to approximately \$22 million of incurred claims related to COVID-19. Additionally, this division will likely see a decrease in underwriting margin as a percent of premium for the full year 2020 as a result of increased policyholder claims relating to the pandemic.

The **Liberty National Division** markets individual life insurance to middle-income household and worksite customers. The underwriting margin as a percent of premium was 24% for the nine months ended September 30, 2020, down from 26% during the same period a year ago. The decrease is primarily attributable to higher policy obligations during the nine months ended September 30, 2020 as a result of COVID-19 compared with the same period a year ago. For 2020, we anticipate higher levels of COVID-19 related claims in the remainder of the year, which may cause the underwriting margin as a percent of premium to decrease further.

While the division has seen some challenges in this current work-from-home environment as a result of the pandemic, the current easing of local COVID-19 restrictions in certain areas has allowed agents to return to performing some in-person sales presentations in addition to virtual methods. As a result, total net life sales may be flat for the full year 2020 as compared to the prior year.

Globe Life Inc.
Management's Discussion & Analysis

Below is the average producing agent count at the end of the period for Liberty National Division. As the division gains momentum in the virtual sales environment, the agency will benefit from the abundant recruiting opportunities currently available for new agents.

	At September 30,		Change	
	2020	2019	Amount	%
Liberty National	2,531	2,289	242	11

The Liberty National Division average producing agent count increased 11% since the prior year. We continue to execute our long-term plan to grow this agency through expansion from small-town markets in the Southeast to more densely populated areas with larger pools of potential agent recruits and customers. Continued expansion of this agency's presence into more heavily populated, less-penetrated areas will help create long-term agency growth.

The **Other Agencies** distribution channels primarily include non-exclusive independent agencies selling predominantly life insurance. The Other Agencies contributed \$161 million of life premium income, or 8% of Globe Life's total premium income in the nine months ended September 30, 2020, and contributed 2% of net sales for the period.

HEALTH INSURANCE

Health insurance sold by the Company includes primarily Medicare Supplement insurance, accident coverage, and other limited-benefit supplemental health products including cancer, critical illness, heart, and intensive care coverage.

Year-to-date health premium accounted for 30% of our total premium in 2020, while the health underwriting margin accounted for 28% of total underwriting margin, reflective of the lower underwriting margin as a percent of premium for health compared with life insurance. The Company continues to emphasize life insurance sales relative to health due to life's superior profitability and its greater contribution to excess investment income.

The following table presents underwriting margin data for health insurance.

Health Insurance Summary of Results (Dollar amounts in thousands)						
	Nine Months Ended September 30,				Increase (Decrease)	
	2020		2019			
	Amount	% of Premium	Amount	% of Premium	Amount	%
Premium and policy charges	\$ 850,877	100	\$ 802,132	100	\$ 48,745	6
Policy obligations	546,444	64	511,403	63	35,041	7
Required interest on reserves	(69,131)	(8)	(65,131)	(8)	(4,000)	6
Net policy obligations	477,313	56	446,272	55	31,041	7
Commissions, premium taxes, and non-deferred acquisition expenses	70,304	8	70,719	9	(415)	(1)
Amortization of acquisition costs	102,695	12	102,527	13	168	—
Total expense	650,312	76	619,518	77	30,794	5
Insurance underwriting margin	\$ 200,565	24	\$ 182,614	23	\$ 17,951	10

Globe Life Inc.
Management's Discussion & Analysis

Globe Life markets supplemental health insurance products through a number of distribution channels. The following table is an analysis of our health premium by distribution channel.

Health Insurance
Premium by Distribution Channel
(Dollar amounts in thousands)

	Nine Months Ended September 30,				Increase (Decrease)	
	2020		2019			
	Amount	% of Total	Amount	% of Total	Amount	%
United American	\$ 337,269	39	\$ 308,271	39	\$ 28,998	9
Family Heritage	235,195	28	218,469	27	16,726	8
Liberty National	142,230	17	142,887	18	(657)	—
American Income	78,310	9	73,861	9	4,449	6
Direct to Consumer	57,873	7	58,644	7	(771)	(1)
Total	\$ 850,877	100	\$ 802,132	100	\$ 48,745	6

Of total health premium (\$851 million), premium from limited-benefit plans comprise \$437 million, or 51%, for 2020 compared with \$414 million in the same period in the prior year. Premium from Medicare Supplement products comprises the remaining 49% or \$414 million for 2020 compared with \$388 million in the same period in the prior year.

Annualized health premium in force at September 30, 2020 increased 6% to \$1.2 billion over the prior year total.

Presented below is a table of health net sales by distribution channel.

Health Insurance
Net Sales by Distribution Channel
(Dollar amounts in thousands)

	Nine Months Ended September 30,				Increase (Decrease)	
	2020		2019			
	Amount	% of Total	Amount	% of Total	Amount	%
United American	\$ 39,335	33	\$ 47,276	37	\$ (7,941)	(17)
Family Heritage	49,314	41	47,453	37	1,861	4
Liberty National	15,820	13	17,332	14	(1,512)	(9)
American Income	14,580	12	13,108	10	1,472	11
Direct to Consumer	1,608	1	2,273	2	(665)	(29)
Total	\$ 120,657	100	\$ 127,442	100	\$ (6,785)	(5)

Of total net sales (\$121 million), sales of limited-benefit plans comprise \$80 million, or 66% of the total for 2020, compared with \$78 million in the same period in the prior year. Medicare Supplement sales make up the remaining 34% or \$41 million for 2020, compared with \$49 million in the same period in the prior year.

Globe Life Inc.
Management's Discussion & Analysis

The following table presents health insurance first-year collected premium by distribution channel.

Health Insurance
First-Year Collected Premium by Distribution Channel
(Dollar amounts in thousands)

	Nine Months Ended September 30,				Increase (Decrease)	
	2020		2019			
	Amount	% of Total	Amount	% of Total	Amount	%
United American	\$ 59,948	45	\$ 51,142	43	\$ 8,806	17
Family Heritage	40,425	31	37,123	31	3,302	9
Liberty National	15,399	12	14,692	13	707	5
American Income	13,859	10	12,467	11	1,392	11
Direct to Consumer	2,256	2	2,839	2	(583)	(21)
Total	\$ 131,887	100	\$ 118,263	100	\$ 13,624	12

First-year collected premium related to limited-benefit plans comprises \$70 million, or 53% of total first-year collected premium, for 2020 compared with \$65 million in the same period in the prior year. First-year collected premium from Medicare Supplement policies makes up the remaining 47% or \$62 million for 2020 compared with \$54 million in the same period in the prior year.

A discussion of health operations by distribution channel follows.

The **United American Independent Agency** consists of non-exclusive independent agencies who may also sell for other companies. The United American Independent Agency was Globe Life's largest health agency in terms of health premium income.

This division is also Globe Life's largest producer of Medicare Supplement insurance. The United American Independent Agency represents 80% of all Medicare Supplement premium and 96% of Medicare Supplement net sales. For the nine months ended September 30, 2020, Medicare Supplement premium in this agency rose 10% to \$330 million in 2020 over the prior period total of \$300 million. Medicare Supplement net sales declined 17% to \$39 million in 2020 from the prior year period, primarily as a result of a decrease in individual sales. Underwriting margin as a percent of premium was 14% for the nine months ended September 30, 2020 and 2019. This agency will likely see reduced sales during the remainder of the year.

Globe Life Inc.
Management's Discussion & Analysis

The **Family Heritage Division** primarily markets limited-benefit supplemental health insurance in non-urban areas. Most of its policies include a cash-back feature, such as a return of premium, where any excess of premiums over claims paid is returned to the policyholder at the end of a specified period stated within the insurance policy. Underwriting margin as a percent of premium was 26% for the nine months ended September 30, 2020, up from 25% in the year-ago period.

The division saw a 4% increase in net health sales as compared with the nine-month period a year ago. While it has been a challenge at this division to move from in-home and in-business sales to virtual sales, we are encouraged by the adoption of the agency owners to this supplementary way of doing business. This is reinforced by the strong recovery in sales during the third quarter of 2020. For the full year, net health sales in 2020 are expected to be higher than 2019. Despite higher costs associated with those infected with the COVID-19 virus, we expect higher underwriting margins as a percent of premium for the full year 2020 compared with 2019 due to lower overall utilization rates.

Below is the average producing agent count at the end of the period for the Family Heritage Division.

	At September 30,		Change	
	2020	2019	Amount	%
Family Heritage Division	1,282	1,073	209	19

The **Liberty National Division** represented 17% of all Globe Life health premium income for the nine-month period ended September 30, 2020. The Liberty National Division markets limited-benefit supplemental health products consisting primarily of critical illness insurance. Much of this health business is now generated through worksite marketing. Health premium at Liberty National Division was \$142 million for the nine months ended September 30, 2020, down slightly from \$143 million in the year ago period. As discussed in the Liberty National Division life section above, this division has seen decreased net sales across both life and health as a result of the COVID-19 response. For 2020, we expect health net sales to be approximately the same as 2019.

Other distribution. While some of the Company's other distribution channels market health products, their main emphasis is on life insurance. On a combined basis, they accounted for 16% of health premium in 2020 and 2019. The American Income Life Division primarily markets accident plans. The Direct to Consumer Division markets primarily Medicare Supplements to employer or union-sponsored groups. The Direct to Consumer Division added \$2 million of Medicare Supplement net sales as of September 30, 2020 and \$2 million during the same period in 2019.

ANNUITIES

Annuities represent an insignificant part of our business and are not expected to be an important part of our marketing strategy going forward.

INVESTMENTS

We manage our capital resources including investments, debt, and cash flow through the investment segment. Excess investment income represents the profit margin attributable to investment operations and is the measure that we use to evaluate the performance of the investment segment as described in *Note 10—Business Segments*. It is defined as net investment income less both the required interest on net insurance policy liabilities and the interest cost associated with capital funding or “financing costs.”

Management also views excess investment income per diluted common share as an important and useful measure to evaluate the performance of the investment segment. It is defined as excess investment income divided by the total diluted weighted average shares outstanding, representing the contribution by the investment segment to the consolidated earnings per share of the Company. Since implementing our share repurchase program in 1986, we have used \$8.1 billion of excess cash flow at the Parent Company to repurchase Globe Life Inc. common shares after determining that the repurchases provided a greater risk adjusted after-tax return than other investment alternatives. If we had not used this excess cash to repurchase shares, but had instead invested it in interest-bearing assets, we would have earned more investment income and had more shares outstanding. As excess

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investment income per diluted common share incorporates all capital resources, we view excess investment income per diluted share as a useful measure to evaluate the investment segment.

Excess Investment Income. The following table summarizes Globe Life's investment income, excess investment income, and excess investment income per diluted common share.

Analysis of Excess Investment Income

(Dollar amounts in thousands, except for per share data)

	Nine Months Ended September 30,		Increase (Decrease)	
	2020	2019	Amount	%
Net investment income	\$ 691,991	\$ 683,003	\$ 8,988	1
Interest on net insurance policy liabilities:				
Interest on reserves	(620,473)	(594,865)	(25,608)	4
Interest on deferred acquisition costs	176,977	170,672	6,305	4
Net required interest	(443,496)	(424,193)	(19,303)	5
Financing costs	(65,295)	(63,804)	(1,491)	2
Excess investment income	\$ 183,200	\$ 195,006	\$ (11,806)	(6)
Excess investment income per diluted share	\$ 1.70	\$ 1.75	\$ (0.05)	(3)
Mean invested assets (at amortized cost)	\$ 17,855,428	\$ 16,947,539	\$ 907,889	5
Average net insurance policy liabilities ⁽¹⁾	10,395,811	10,024,627	371,184	4
Average debt and preferred securities (at amortized cost)	1,841,942	1,659,108	182,834	11

(1) Net of deferred acquisition costs, excluding the associated unrealized gains and losses thereon.

Net investment income for the nine months ended September 30, 2020 was \$692 million or 1% greater than the year ago period. Mean invested assets increased 5% during the first nine months of 2020 over the same period last year. The effective annual yield rate earned on the fixed maturity portfolio was 5.35% in the first nine months of 2020, compared with 5.50% a year earlier. Growth in net investment income has been negatively impacted in recent periods primarily due to investing new money at rates less than the average portfolio yield rate and reinvesting the proceeds from dispositions at yield rates less than what we earned on these bonds prior to disposition. As a result, growth in net investment income has been slower than the growth in mean invested assets. While the Company may see a higher turnover rate of fixed maturity assets of 2% to 4% in 2020 due to calls of highly-rated municipal securities, we expect that the average annual turnover of fixed maturity assets during the next five years will be less than 2% of the portfolio and will not have a material negative impact on net investment income.

Should the current low interest rate environment continue, the growth of the Company's net investment income will be negatively impacted primarily due to the investment of new money and proceeds from dispositions at rates less than the average portfolio yield rate. While net investment income would grow, it would continue to grow at rates less than the growth in mean invested assets. For 2020, we currently anticipate the average new money yield on our fixed maturity acquisitions to be approximately 80 basis points lower than the rate applicable to our 2019 acquisitions.

Should interest rates, especially long-term rates, rise, Globe Life's net investment income would benefit due to higher interest rates on new purchases. While such a rise in interest rates could adversely affect the fair value of the fixed maturities portfolio, we could withstand an increase in interest rates of approximately 142 to 147 basis points before the net unrealized gains on our fixed maturity portfolio as of September 30, 2020 would be eliminated. Should interest rates increase further, we would not be concerned with potential interest rate driven unrealized losses in our fixed maturity portfolio because we do not intend to sell, nor is it likely that management will be required to sell, the fixed maturities prior to their anticipated recovery.

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Required interest on net insurance policy liabilities reduces net investment income, as it is the amount of net investment income considered by management necessary to “fund” required interest on net insurance policy liabilities, which is the net of the benefit reserve liability and the deferred acquisition cost asset. As such, it is removed from the investment segment and applied to the insurance segments to offset the effect of the required interest from the insurance segments. As discussed in *Note 10—Business Segments*, management regards this as a more meaningful analysis of the investment and insurance segments. Required interest is based on the actuarial interest assumptions used in discounting the benefit reserve liability and the amortization of deferred acquisition costs for our insurance policies in force.

The great majority of our life and health insurance policies are fixed interest rate protection policies, not investment products, and are accounted for under current accounting guidance for long-duration insurance products which mandate that interest rate assumptions for a particular block of business be “locked in” for the life of that block of business. Each calendar year, we set the discount rate to be used to calculate the benefit reserve liability and the amortization of the deferred acquisition cost asset for all insurance policies issued that year. That rate is based on the new money yields that we expect to earn on cash flow received in the future from policies of that issue year, and cannot be changed. The discount rate used for policies issued in the current year has no impact on the in force policies issued in prior years as the rates of all prior issue years are also locked in. As such, the overall discount rate for the entire in force block of 5.7% is a weighted average of the discount rates being used from all issue years. Changes in the overall weighted-average discount rate over time are caused by changes in the mix of the reserves and the deferred acquisition cost asset by issue year on the entire block of in force business. Business issued in the current year has very little impact on the overall weighted-average discount rate due to the size of our in force business.

Since actuarial discount rates are locked in for life on essentially all of our business, benefit reserves and deferred acquisition costs are not affected by interest rate fluctuations unless a loss recognition event occurs. Due to the strength of our underwriting margins, we do not expect an extended low interest rate environment to cause a loss recognition event.

Required interest on net insurance policy liabilities increased \$19 million, or 5%, to \$443 million, compared with the 4% growth in average net interest-bearing insurance policy liabilities.

Financing costs for the investment segment consist primarily of interest on our various debt instruments. The table below presents the components of financing costs and reconciles interest expense per the *Condensed Consolidated Statements of Operations*.

Analysis of Financing Costs
(Dollar amounts in thousands)

	Nine Months Ended September 30,		Increase (Decrease)	
	2020	2019	Amount	%
Interest on funded debt	\$ 53,444	\$ 52,363	\$ 1,081	2
Interest on term loans	4,193	2,561	1,632	64
Interest on short-term debt	7,633	8,858	(1,225)	(14)
Other	25	22	3	14
Financing costs	\$ 65,295	\$ 63,804	\$ 1,491	2

In 2020, financing costs increased 2% primarily due to the new term loan issued in April and the 2.15% Senior Notes issued in August. For the full year 2020 versus 2019, Globe Life anticipates financing costs to increase as a result of the new 2.15% Senior Notes. More information on our debt transactions is disclosed in the *Financial Condition* section of this report.

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Realized Gains and Losses. Our core business of providing insurance coverage requires us to maintain a large and diverse investment portfolio to support our insurance liabilities. From time to time, investments are sold or called, or experience a credit loss event, each of which results in a realized gain or loss. As discussed in *Note 4*, during the nine months ended September 30, 2020, the Company sold its position in an energy holding (offshore driller) and recognized a total realized loss of \$30.6 million (net of tax).

The Company also elects to measure its investment in certain limited partnerships at fair value in accordance with the fair value option for financial instruments with changes recognized in *Realized gains (losses)* in the *Condensed Consolidated Statements of Operations*.

Realized gains and losses can be significant in relation to the earnings from core insurance operations, and as a result, can have a material positive or negative impact on net income. The significant fluctuations caused by gains and losses can cause period-to-period trends of net income that are not indicative of historical core operating results or predictive of the future trends of core operations. Accordingly, they have no bearing on core insurance operations or segment results as we view operations. For these reasons, and in line with industry practice, we remove the effects of realized gains and losses when evaluating overall insurance operating results. The following table summarizes our tax-effected realized gains (losses) by component.

Analysis of Realized Gains (Losses), Net of Tax

(Dollar amounts in thousands, except for per share data)

	Nine Months Ended September 30,			
	2020		2019	
	Amount	Per Share	Amount	Per Share
Fixed maturities:				
Sales	\$ (28,844)	\$ (0.27)	\$ (2,017)	\$ (0.02)
Matured or other redemptions ⁽¹⁾	7,702	0.07	16,503	0.15
Provision for credit losses	(3,466)	(0.03)	—	—
Fair value option—change in fair value	(5,370)	(0.05)	156	—
Other	8,042	0.08	(85)	—
Total realized gains (losses)—investments	(21,936)	(0.20)	14,557	0.13
Loss on redemption of debt	(501)	(0.01)	—	—
Total realized gains (losses)	\$ (22,437)	\$ (0.21)	\$ 14,557	\$ 0.13

(1) During the nine months ended September 30, 2020 and 2019, the Company recorded \$152.1 million and \$161.0 million of exchanges of fixed maturity securities (noncash transactions) that resulted in \$6.2 million and \$15.9 million, respectively in realized gains, net of tax.

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Investment Acquisitions. Globe Life's investment policy calls for investing primarily in investment grade fixed maturities that meet our quality and yield objectives. We generally prefer to invest in securities with longer maturities because they more closely match the long-term nature of our policy liabilities. We believe this strategy is appropriate since our expected future cash flows are generally stable and predictable and the likelihood that we will need to sell invested assets to raise cash is low. If longer-term securities that meet our quality and yield objectives are not available, we do not compromise on our quality objectives; instead, we consider investing in shorter-term or lower-yielding securities taking into consideration the slope of the yield curve and other factors such as risk adjusted capital adjusted returns.

The following table summarizes selected information for fixed maturity investments. The effective annual yield shown is based on the acquisition price and call features, if any, of the securities. For non-callable bonds, the yield is calculated to maturity date. For callable bonds acquired at a premium, the yield is calculated to the earliest known call date and call price after acquisition ("first call date"). For all other callable bonds, the yield is calculated to maturity date.

Fixed Maturity Acquisitions Selected Information
(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2020	2019
Cost of acquisitions:		
Investment-grade corporate securities	\$ 532,529	\$ 749,681
Investment-grade municipal securities	345,011	352,221
Other investment-grade securities	27,831	10,373
Total fixed maturity acquisitions⁽¹⁾	\$ 905,371	\$ 1,112,275
Effective annual yield (one year compounded) ⁽²⁾	3.81 %	4.62 %
Average life (in years, to next call)	16.5	20.1
Average life (in years, to maturity)	26.2	28.6
Average rating	A	A

(1) Fixed maturity acquisitions included unsettled trades of \$0 in 2020 and \$55 million in 2019.

(2) Tax-equivalent basis, where the yield on tax-exempt securities is adjusted to produce a yield equivalent to the pretax yield on taxable securities.

Acquisitions in both periods consisted primarily of corporate and municipal bonds with securities spanning a diversified range of issuers, industry sectors, and geographical regions. In the first nine months of 2020, we invested primarily in the municipal, industrial, and financial sectors. For the entire portfolio, the taxable equivalent effective yield earned was 5.35%, down 15 basis points from the yield in the first nine months of 2019. As previously noted in the discussion of net investment income, the decrease was primarily due to the combination of lower interest rates applicable to new purchases and a significant amount of securities called during 2019 and 2020. For the remainder of 2020, the Company will continue to execute on its existing strategy by seeking to invest in assets that satisfy our quality and other objectives, while maximizing the highest risk adjusted capital adjusted return.

In 2017, it was announced by the head of the United Kingdom's Financial Conduct Authority that it plans to phase out the floating rate, London Interbank Offered Rate (LIBOR), by the end of 2021. As of September 30, 2020, the Company had limited assets and liabilities that utilize LIBOR as a benchmark rate. We will continue to monitor the progress toward the establishment of a new floating rate.

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Selected information concerning the fixed maturity portfolio is as follows:

Fixed Maturity Portfolio Selected Information

	At		
	September 30, 2020	December 31, 2019	September 30, 2019
Average annual effective yield ⁽¹⁾	5.32%	5.41%	5.45%
Average life, in years, to:			
Next call ⁽²⁾	16.4	16.8	16.9
Maturity ⁽²⁾	19.1	19.2	19.0
Effective duration to:			
Next call ^(2,3)	10.9	10.8	10.8
Maturity ^(2,3)	12.1	11.8	11.7

(1) Tax-equivalent basis. The yield on tax-exempt securities is adjusted to produce a yield equivalent to the pretax yield on taxable securities.

(2) Globe Life calculates the average life and duration of the fixed maturity portfolio two ways:

- (a) based on the next call date which is the next call date for callable bonds and the maturity date for noncallable bonds, and
- (b) based on the maturity date of all bonds, whether callable or not.

(3) Effective duration is a measure of the price sensitivity of a fixed-income security to a particular change in interest rates.

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Credit Risk Sensitivity. The following tables summarize certain information about the major corporate sectors and security types held in our fixed maturity portfolio at September 30, 2020 and December 31, 2019.

As a result of the adoption of ASU 2016-13, amortized cost will now be reflected as "amortized cost, net of allowance for credit losses" or "amortized cost, net", while prior periods continue to be reported in accordance with previously applicable GAAP.

Fixed Maturities by Sector
September 30, 2020
(Dollar amounts in thousands)

	Below Investment Grade				Total Fixed Maturities				% of Total Fixed Maturities	
	Amortized Cost, net	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost, net	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	At Amortized Cost, net	At Fair Value
Corporates:										
Financial										
Insurance - life, health, P&C	\$ 57,703	\$ 4,498	\$ (12,366)	\$ 49,835	\$ 2,269,176	\$ 506,594	\$ (19,630)	\$ 2,756,140	14	14
Banks	27,022	—	(2,027)	24,995	971,760	230,507	(2,292)	1,199,975	6	6
Other financial	114,905	—	(21,231)	93,674	1,094,850	161,018	(21,709)	1,234,159	6	6
Total financial	199,630	4,498	(35,624)	168,504	4,335,786	898,119	(43,631)	5,190,274	26	26
Utilities										
Electric	46,047	1,187	—	47,234	1,420,404	441,640	(27)	1,862,017	9	9
Gas and water	—	—	—	—	536,328	116,176	—	652,504	3	3
Total utilities	46,047	1,187	—	47,234	1,956,732	557,816	(27)	2,514,521	12	12
Industrial - Energy										
Pipelines	85,353	—	(8,010)	77,343	922,847	135,073	(12,585)	1,045,335	6	5
Exploration and production	104,733	419	(10,830)	94,322	555,831	84,422	(11,775)	628,478	3	3
Oil field services	—	—	—	—	49,804	8,023	—	57,827	—	—
Refiner	—	—	—	—	89,453	16,718	(29)	106,142	1	1
Driller	869	—	—	869	869	—	—	869	—	—
Total energy	190,955	419	(18,840)	172,534	1,618,804	244,236	(24,389)	1,838,651	10	9
Industrial - Basic materials										
Chemicals	—	—	—	—	625,395	104,695	(508)	729,582	4	4
Metals and mining	—	—	—	—	404,546	117,228	(104)	521,670	2	2
Forestry products and paper	—	—	—	—	110,536	21,601	—	132,137	1	1
Total basic materials	—	—	—	—	1,140,477	243,524	(612)	1,383,389	7	7
Industrial - Consumer, non-cyclical	96,447	5,018	(3,467)	97,998	2,173,213	495,370	(3,910)	2,664,673	13	13
Other industrials	25,684	2,229	—	27,913	1,312,827	281,855	(368)	1,594,314	8	8
Industrial - Transportation	25,894	1,916	(351)	27,459	581,865	163,637	(351)	745,151	3	4
Other corporate sectors	184,056	7,404	(12,371)	179,089	1,456,106	263,263	(13,472)	1,705,897	8	8
Total corporates	768,713	22,671	(70,653)	720,731	14,575,810	3,147,820	(86,760)	17,636,870	87	87
Other fixed maturities:										
Government (U.S., municipal, and foreign)	—	—	—	—	2,123,068	322,806	(3,967)	2,441,907	12	12
Collateralized debt obligations	56,763	21,707	(9,814)	68,656	56,763	21,708	(9,814)	68,657	—	—
Other asset-backed securities	14,025	—	(1,684)	12,341	131,590	3,421	(5,874)	129,137	1	1
Mortgage-backed securities ⁽¹⁾	—	—	—	—	436	49	—	485	—	—
Total fixed maturities	\$ 839,501	\$ 44,378	\$ (82,151)	\$ 801,728	\$ 16,887,667	\$ 3,495,804	\$ (106,415)	\$20,277,056	100	100

(1) Includes Government National Mortgage Association (GNMA).

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Fixed Maturities by Sector
December 31, 2019
(Dollar amounts in thousands)

	Below Investment Grade				Total Fixed Maturities				% of Total Fixed Maturities	
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	At Amortized Cost	At Fair Value
Corporates:										
Financial										
Insurance - life, health, P&C	\$ 57,833	\$ 3,114	\$ (6,542)	\$ 54,405	\$ 2,111,735	\$ 394,326	\$ (9,277)	\$ 2,496,784	13	13
Banks	27,045	—	(1,196)	25,849	904,449	175,771	(1,300)	1,078,920	6	6
Other financial	97,580	737	(11,519)	86,798	1,085,733	131,099	(11,730)	1,205,102	7	6
Total financial	182,458	3,851	(19,257)	167,052	4,101,917	701,196	(22,307)	4,780,806	26	25
Utilities										
Electric	47,298	1,059	(1,399)	46,958	1,418,359	342,302	(1,484)	1,759,177	9	9
Gas and water	—	—	—	—	519,379	73,812	(81)	593,110	3	3
Total utilities	47,298	1,059	(1,399)	46,958	1,937,738	416,114	(1,565)	2,352,287	12	12
Industrial - Energy										
Pipelines	85,428	396	(5,839)	79,985	934,884	141,705	(6,803)	1,069,786	6	6
Exploration and production	17,129	400	(127)	17,402	559,826	96,312	(335)	655,803	3	3
Oil field services	—	—	—	—	49,818	10,982	—	60,800	—	—
Refiner	—	—	—	—	89,692	20,641	—	110,333	1	1
Driller	44,748	—	(26,586)	18,162	44,749	—	(26,587)	18,162	—	—
Total energy	147,305	796	(32,552)	115,549	1,678,969	269,640	(33,725)	1,914,884	10	10
Industrial - Basic materials										
Chemicals	—	—	—	—	608,081	61,263	(325)	669,019	4	3
Metals and mining	10,563	1,643	—	12,206	398,477	86,138	(58)	484,557	2	3
Forestry products and paper	—	—	—	—	111,011	15,700	—	126,711	1	1
Total basic materials	10,563	1,643	—	12,206	1,117,569	163,101	(383)	1,280,287	7	7
Industrial - Consumer, non-cyclical	33,474	411	(5,504)	28,381	2,126,768	303,088	(6,875)	2,422,981	13	13
Other industrials	25,752	2,648	—	28,400	1,309,149	199,765	(539)	1,508,375	8	8
Industrial - Transportation	25,996	1,245	(16)	27,225	570,694	107,704	(127)	678,271	3	4
Other corporate sectors	130,069	7,105	(6,401)	130,773	1,390,497	182,250	(8,841)	1,563,906	8	8
Total corporates	602,915	18,758	(65,129)	556,544	14,233,301	2,342,858	(74,362)	16,501,797	87	87
Other fixed maturities:										
Government (U.S., municipal, and foreign)	—	—	—	—	1,981,243	202,325	(1,318)	2,182,250	12	12
Collateralized debt obligations	56,990	24,298	(7,184)	74,104	56,990	24,298	(7,184)	74,104	—	—
Other asset-backed securities	14,250	—	(371)	13,879	143,651	5,066	(371)	148,346	1	1
Mortgage-backed securities ⁽¹⁾	—	—	—	—	591	59	—	650	—	—
Total fixed maturities	\$ 674,155	\$ 43,056	\$ (72,684)	\$644,527	\$ 16,415,776	\$ 2,574,606	\$ (83,235)	\$18,907,147	100	100

(1) Includes GNMA's.

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Corporate securities, which consist of bonds and redeemable preferred stocks, were the largest component of the September 30, 2020 fixed maturity portfolio, representing 87% of both amortized cost, net and fair value. The remainder of the portfolio is invested primarily in securities issued by the U.S. government and U.S. municipalities. The Company holds insignificant amounts in foreign government bonds, collateralized debt obligations, asset-backed securities, and mortgage-backed securities. Corporate securities are diversified over a variety of industry sectors and issuers. At September 30, 2020, the total fixed maturity portfolio consisted of 745 issuers.

At September 30, 2020, fixed maturities had a fair value of \$20.3 billion, compared with \$18.9 billion at December 31, 2019. The net unrealized gain position in the fixed-maturity portfolio increased from \$2.5 billion at December 31, 2019 to \$3.4 billion at September 30, 2020 due to a decrease in market rates during the period.

The Company continues to monitor the impact of COVID-19 on the fixed maturity portfolio. Our investment in certain sectors that have been greatly impacted, such as airlines, department stores, leisure, restaurants, lodging/gaming, apparel, auto parts, toys, and trucking sectors are less than 3% of the fixed maturity portfolio. Additionally, we do not have any unsecured debt in the airline or restaurant sectors.

Of the \$1.6 billion energy exposure (at amortized cost, net), over 90% is in the midstream (transportation, storage, and wholesaling of oil and gas) and exploration and production subsectors, while only 3% is in the oil field service subsector. In addition, less than \$1 million is currently invested in the offshore drillers subsector. The offshore drilling and oil field services are the most vulnerable to low oil prices. However, our two holdings in the oil field services subsector are two of the largest service companies in this industry and currently maintain investment grade ratings by the various rating agencies.

Globe Life invests long and as such, one of our key criterion in our investment process is to select issuers that have the ability to weather multiple financial cycles. Our energy portfolio is well diversified across multiple sub-sectors and issuers, and is heavily weighted towards issuers that are less vulnerable to depressed commodity prices. We do not currently foresee increasing our holding position in this sector nor the need to sell.

For more information about our fixed maturity portfolio by component at September 30, 2020 and 2019, including a discussion of allowance for credit losses, an analysis of unrealized investment losses and a schedule of maturities, see *Note 4—Investments*.

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An analysis of the fixed maturity portfolio by a composite quality rating at September 30, 2020 and 2019 is shown in the following tables. The composite rating for each security, other than private-placement securities managed by third parties, is the average of the security's ratings as assigned by Moody's Investor Service, Standard & Poor's, Fitch Ratings, and Dominion Bond Rating Service, LTD. The ratings assigned by these four nationally recognized statistical rating organizations are evenly weighted when calculating the average. The composite quality rating is created using a methodology developed by Globe Life using ratings from the various rating agencies noted above. The composite quality rating is not a Standard & Poor's credit rating. Standard & Poor's does not sponsor, endorse or promote the composite quality rating and shall not be liable for any use of the composite quality rating. Included in the following chart are private placement fixed maturity holdings of \$561 million at amortized cost, net of allowance for credit losses (\$609 million at fair value) for which the ratings were assigned by the third-party managers.

Fixed Maturities by Rating
At September 30, 2020
(Dollar amounts in thousands)

	Amortized Cost, net	% of Total	Fair Value	% of Total	Average Composite Quality Rating on Amortized Cost, net
Investment grade:					
AAA	\$ 697,998	4	\$ 836,582	4	
AA	1,527,405	9	1,724,725	9	
A	4,494,354	27	5,773,241	28	
BBB+	3,615,667	21	4,447,104	22	
BBB	3,936,406	23	4,679,060	23	
BBB-	1,776,336	11	2,014,616	10	
Total investment grade	16,048,166	95	19,475,328	96	A-
Below investment grade:					
BB	670,434	4	614,204	3	
B	115,757	1	112,479	1	
Below B	53,310	—	75,045	—	
Total below investment grade	839,501	5	801,728	4	BB-
	<u>\$ 16,887,667</u>	<u>100</u>	<u>\$ 20,277,056</u>	<u>100</u>	
Weighted average composite quality rating					BBB+

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Fixed Maturities by Rating
At December 31, 2019
(Dollar amounts in thousands)

	Amortized Cost	% of Total	Fair Value	% of Total	Average Composite Quality Rating on Amortized Cost
Investment grade:					
AAA	\$ 769,564	5	\$ 841,176	4	
AA	1,311,902	8	1,455,815	8	
A	4,608,959	28	5,603,235	30	
BBB+	3,509,311	21	4,119,737	22	
BBB	3,818,589	23	4,309,394	23	
BBB-	1,723,296	11	1,933,263	10	
Total investment grade	15,741,621	96	18,262,620	97	A-
Below investment grade:					
BB	465,296	3	450,925	2	
B	107,653	1	96,077	—	
Below B	101,206	—	97,525	1	
Total below investment grade	674,155	4	644,527	3	B+
	<u><u>\$ 16,415,776</u></u>	<u><u>100</u></u>	<u><u>\$ 18,907,147</u></u>	<u><u>100</u></u>	
Weighted average composite quality rating					A-

The overall quality rating of the portfolio is BBB+, down from the year-ago period and year-end 2019 at A-. Fixed maturities rated BBB are 55% of the total portfolio at September 30, 2020, the same as year-end 2019. While this ratio is high relative to our peers, we have limited exposure to higher-risk assets such as derivatives, equities, and asset-backed securities. Additionally, the Company does not participate in securities lending, has no off-balance sheet investments, and has no exposure to European sovereign debt as of September 30, 2020. BBB securities provide the Company with the best risk adjusted capital adjusted returns, largely due to our unique ability to hold securities to maturity regardless of fluctuations in interest rates or equity markets.

An analysis of changes in our portfolio of below-investment grade fixed maturities at amortized cost, net of allowance for credit losses is as follows:

Below-Investment Grade Fixed Maturities
(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2020	2019
Balance at beginning of period	\$ 674,155	\$ 666,061
Downgrades by rating agencies	225,819	86,519
Upgrades by rating agencies	(10,551)	(65,700)
Dispositions	(47,943)	(67,014)
Provision for credit losses	(4,387)	—
Amortization and other	2,408	3,421
Balance at end of period	<u><u>\$ 839,501</u></u>	<u><u>\$ 623,287</u></u>

Our investment policy calls for investing primarily in fixed maturities that are investment grade and meet our quality and yield objectives. Thus, any increases in below-investment grade issues are typically a result of ratings downgrades of existing holdings. Below-investment grade bonds at amortized cost, net of allowance for credit

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losses, were 15% of our shareholders' equity, excluding the effect of unrealized gains and losses on fixed maturities as of September 30, 2020.

OPERATING EXPENSES

Operating expenses are included in the "Corporate and Other" segment and are classified into two categories: insurance administrative expenses and expenses of the Parent Company. Insurance administrative expenses generally include expenses incurred after a policy has been issued. As these expenses relate to premium for a given period, management measures the expenses as a percentage of premium income. The Company also views stock-based compensation expense as a Parent Company expense. Expenses associated with the issuance of our insurance policies are reflected as acquisition expenses and included in the determination of underwriting margin.

An analysis of operating expenses is shown below.

Operating Expenses Selected Information
(Dollar amounts in thousands)

	Nine Months Ended September 30,				Increase	
	2020		2019		(Decrease)	
	Amount	% of Premium	Amount	% of Premium	Amount	%
Insurance administrative expenses:						
Salaries	\$ 79,010	2.8	\$ 76,084	2.8	\$ 2,926	4
Other employee costs	30,307	1.0	26,164	1.0	4,143	16
Information technology costs	33,785	1.2	32,501	1.2	1,284	4
Legal costs	8,540	0.3	7,546	0.3	994	13
Other administrative costs	36,552	1.3	36,882	1.4	(330)	(1)
Total insurance administrative expenses	188,194	6.6	179,177	6.7	9,017	5
Parent company expense	7,536		7,987		(451)	
Stock compensation expense	26,655		33,348		(6,693)	
Administrative settlements	—		400		(400)	
Legal proceedings	3,275		5,500		(2,225)	
Non-operating expenses	1,033		—		1,033	
Total operating expenses, per Condensed Consolidated Statements of Operations	<u>\$ 226,693</u>		<u>\$ 226,412</u>		<u>\$ 281</u>	<u>—</u>

Insurance administrative expenses increased 5% during the first nine months of 2020 compared with the same period in 2019, primarily due to higher employee-related expenses, including salary and pension costs. Pension expense increased due to the lower discount rate used to determine net periodic benefit costs in 2020 as compared to 2019. Refer to *Note 7—Postretirement Benefits*. Legal expense increased due to an increase in regulatory and other compliance matters. The increase in information technology costs reflects investments related to data analytics capabilities, administrative systems modernization, and information security programs. The decrease in stock-based compensation expense was primarily due to a lesser amount of performance based equity awards. While insurance administrative expenses were up 5%, they were down as a percentage of premium at 6.6%, compared with 6.7% for the same period in 2019.

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SHARE REPURCHASES

Globe Life has an ongoing share repurchase program that began in 1986, and is reviewed quarterly by management and annually reaffirmed by the Board of Directors. The program was reaffirmed on August 5, 2020. With no specified authorization amount, we determine the amount of repurchases based on the amount of the excess cash flow at the Parent Company, general market conditions, and other alternative uses. The majority of these purchases are made from excess cash flow. Excess cash flow at the Parent Company is primarily comprised of dividends received from the insurance subsidiaries less interest expense paid on its debt, dividends paid to Parent Company shareholders, and other limited operating activities. Additionally, when stock options are exercised, proceeds from these exercises and the resulting tax benefit are used to repurchase additional shares on the open market to minimize dilution as a result of the option exercises. The Board of Directors has authorized the Parent Company's share repurchase program in amounts and with timing that management, in consultation with the Board, determines to be in the best interest of the Company and its shareholders. In April, the Company announced a temporary postponement of its share repurchase program while it evaluated the expected impact of COVID-19 on the Company's operations and financial results. Accordingly, the Company did not repurchase shares of Globe Life during the second quarter. In August, the Company resumed its share repurchase program.

The following chart summarizes share repurchases for the nine month periods ended September 30, 2020 and 2019.

Analysis of Share Repurchases

(Amounts in thousands, except per share data)

	Nine Months Ended September 30,					
	2020			2019		
	Shares	Amount	Average Price	Shares	Amount	Average Price
Purchases with:						
Excess cash flow at the Parent Company	3,069	\$ 257,049	\$ 83.74	3,002	\$ 257,246	\$ 85.70
Option exercise proceeds	413	39,599	95.99	889	77,223	86.82
Total	3,482	\$ 296,648	\$ 85.19	3,891	\$ 334,469	\$ 85.95

Throughout the remainder of this discussion, share repurchases will only refer to those made from excess cash flow at the Parent Company.

FINANCIAL CONDITION

Liquidity. Liquidity provides Globe Life with the ability to meet on demand the cash commitments required to support our business operations and meet our financial obligations. Our liquidity is primarily derived from three sources: positive cash flow from operations, a portfolio of marketable securities, and a line of credit facility.

Insurance Subsidiary Liquidity. The operations of our insurance subsidiaries have historically generated substantial cash inflows in excess of immediate cash needs. Cash inflows for the insurance subsidiaries primarily include premium and investment income. In addition to investment income, maturities and scheduled repayments in the investment portfolio are cash inflows. Cash outflows from operations include policy benefit payments, commissions, administrative expenses, and taxes. A portion of the excess cash inflows in the current year will provide for the payment of future policy benefits, and are invested primarily in long-term fixed maturities as they better match the long-term nature of these obligations. Excess cash available from the insurance subsidiaries' operations is generally distributed as a dividend to the Parent Company, subject to regulatory restrictions. The dividends are generally paid in amounts equal to the subsidiaries' prior year statutory net income excluding realized capital gains. While the leading source of the excess cash is investment income, a significant portion of the excess cash also comes from underwriting income due to our high underwriting margins and effective expense control. While the insurance subsidiaries routinely generate more operating cash inflows than cash outflows annually, the companies also have the entire available-for-sale fixed maturity investment portfolio available to create additional cash flows if required.

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Parent Company Liquidity. An important source of Parent Company liquidity is the dividends from its insurance subsidiaries. These dividends are received throughout the year and are used by the Parent Company to pay dividends on common and preferred stock, interest and principal repayment requirements on Parent Company debt, and operating expenses of the Parent Company. Despite the overall impact of COVID-19 on the insurance subsidiaries' operations, the ability of the insurance subsidiaries to pay dividends to the Parent Company during the remainder of the year should not be impeded.

	Nine Months Ended September 30,		Twelve Months Ended December 31,	
	2020	2019	Projected 2020	2019
Liquidity Sources:				
Dividends from Subsidiaries	\$ 440,997	\$ 430,114	\$ 485,000	\$ 479,988
Excess Cash Flows	359,701	354,528	380,000	374,232

Additional sources of liquidity for the Parent Company are cash, intercompany receivables, intercompany borrowings, public debt markets, term loans, and a credit facility. At September 30, 2020, the Parent Company had access to \$435 million of invested cash, net intercompany receivables and other liquid assets. The credit facility is discussed below.

Short-Term Borrowings. An additional source of Parent Company liquidity is a credit facility with a group of lenders allowing for unsecured revolving borrowings and stand-by letters of credit up to \$750 million, which could be extended up to \$1 billion. The Parent Company may request the extension, however it is not guaranteed. Up to \$250 million in letters of credit can be issued against the facility. The facility serves as a back-up credit line for a commercial paper program under which commercial paper may be issued at any time, with total commercial paper outstanding not to exceed the facility maximum, less any letters of credit issued. Interest charged on the commercial paper program resembles variable rate debt due to its short term nature. As discussed in *Note 9—Debt*, on August 24, 2020, Globe Life entered into a new 3 year credit agreement, replacing the prior agreement that was due on May 17, 2021 with similar terms.

Under the prior credit agreement with a maturity date of May 17, 2021, the participating lenders agreed to make revolving loans to Globe. The amendment also allowed for an additional \$100 million term loan to be issued under the facility rate structure. The term loan was issued during 2016 and has been repaid in quarterly escalating installments with a balloon payment of \$75 million due on May 17, 2021. On July 31, 2020, the Company paid down the remaining principal balance of \$82.5 million plus \$101 thousand in interest on the 5-year \$100 million term loan.

On April 9, 2020, Globe Life entered into a 364-Day Term Loan Agreement ("Term Loan II"). The Agreement provided the Company with access to up to \$300 million in unsecured term loans, all maturing on April 8, 2021. Globe Life borrowed the full amount on April 15, 2020 to provide additional liquidity to the Parent Company. The net proceeds from the Term Loan II were \$299.1 million. On August 17, 2020, the Company repaid \$150 million of the Term Loan II with the remaining balance of \$150 million repaid on August 26, 2020. The Company recorded a \$634 thousand loss on redemption of debt from the write off of unamortized issue expenses.

As of September 30, 2020, the Parent Company was in full compliance with all covenants related to the aforementioned debt.

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The following table presents certain information about our commercial paper borrowings.

Credit Facility—Commercial Paper
(Dollar amounts in thousands)

	At		
	September 30, 2020	December 31, 2019	September 30, 2019
Balance of commercial paper at end of period (par value)	\$ 280,000	\$ 290,000	\$ 225,000
Annualized interest rate	0.67 %	2.04 %	2.39 %
Letters of credit outstanding	\$ 150,000	\$ 150,000	\$ 150,000
Remaining amount available under credit line	320,000	310,000	375,000

Credit Facility—Commercial Paper Activity
(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2020	2019
Average balance of commercial paper outstanding during period (par value)	\$ 332,802	\$ 296,953
Daily-weighted average interest rate (annualized)	1.78 %	2.76 %
Maximum daily amount outstanding during period (par value)	\$ 482,000	\$ 385,000

During the first quarter, the Company increased the commercial paper borrowings by approximately \$160 million to enhance our liquidity position as a result of COVID-19. During the third quarter commercial paper was reduced by \$170 million. We had no difficulties in accessing the commercial paper market under this facility during the nine months ended September 30, 2020 and 2019. Should access to the regular commercial paper market become unavailable, the Company does qualify to participate in the Federal government's new Commercial Paper Funding Facility established under the CARES Act on March 27, 2020. Under this facility, the Company is able to issue up to \$432.5 million at any time through March 17, 2021.

Globe Life expects to have readily available funds for 2020 and the foreseeable future to conduct its operations and to maintain target capital ratios in the insurance subsidiaries through liquid assets currently available, internally-generated cash flow and the credit facility. In the unlikely event that more liquidity is needed, the Parent Company could generate additional funds through multiple sources including, but not limited to, the issuance of debt, an additional short-term credit facility or term loan, and intercompany borrowing.

As noted above, the Parent Company had access to \$435 million of liquid assets available at the end of the third quarter of 2020. In addition to these liquid assets, the Parent Company is expected to generate additional excess cash flows during the remainder of 2020 of \$20 million. Thus, the Parent Company is expected to have around \$455 million available during the remainder of the year. This liquidity is available to the Company in the event additional funds are needed to support the targeted capital levels within our insurance subsidiaries due to adverse impacts of COVID-19.

Consolidated Liquidity. Consolidated net cash inflows from operations were \$1.1 billion in the first nine months of 2020, compared with \$1.0 billion in the same period of 2019. The increase is primarily attributable to fluctuations in the settlement of certain amounts included in other liabilities. In addition to cash inflows from operations, our insurance companies received proceeds from dispositions of fixed maturities available for sale in the amount of \$334 million during the 2020 period. As previously noted under the caption *Credit Facility*, the Parent Company has in place a line of credit facility. The insurance companies have no additional outstanding credit facilities.

Cash and short-term investments were \$344 million at September 30, 2020, compared with \$114 million at December 31, 2019. In addition to these liquid assets, the entire \$20.3 billion (fair value at September 30, 2020) portfolio of fixed income securities is available for sale in the event of an unexpected need. Approximately 97% of

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our fixed income securities are publicly traded, freely tradable under SEC Rule 144, or qualified for resale under SEC Rule 144A. We generally expect to hold fixed income securities to maturity, and even though these securities are classified as available for sale, we have the ability and intent to hold any securities to recovery. Our strong cash flows from operations, on-going investment maturities, and credit line availability make any need to sell securities for liquidity highly unlikely.

Capital Resources. The Parent Company's capital structure consists of short-term debt (the commercial paper facility), long-term debt, and shareholders' equity.

Long-Term Borrowings. The outstanding long-term debt at book value was \$1.7 billion at September 30, 2020 and \$1.3 billion at December 31, 2019. For additional information regarding long-term debt see *Note 9—Debt*. An analysis of debt issues outstanding is as follows at September 30, 2020.

Selected Information about Debt Issues
As of September 30, 2020
(Dollar amounts in thousands)

Instrument	Issue Date	Maturity Date	Coupon Rate	Interest Payment Dates	Par Value	Book Value	Fair Value
Senior notes	05/27/1993	05/15/2023	7.875%	semiannual	\$ 165,612	\$ 164,892	\$ 194,604
Senior notes ⁽¹⁾	09/24/2012	09/15/2022	3.800%	semiannual	150,000	149,331	159,212
Senior notes	09/27/2018	09/15/2028	4.550%	semiannual	550,000	544,179	655,501
Senior notes	08/21/2020	08/15/2030	2.150%	semiannual	400,000	395,091	401,152
Junior subordinated debentures	05/17/2016	06/15/2056	6.125%	quarterly	300,000	290,635	308,760
Junior subordinated debentures	11/17/2017	11/17/2057	5.275%	semiannual	125,000	123,378	122,935
Total long-term debt					<u>1,690,612</u>	<u>1,667,506</u>	<u>1,842,164</u>
Commercial paper					280,000	279,758	279,758
Total short-term debt					<u>280,000</u>	<u>279,758</u>	<u>279,758</u>
Total debt					<u>\$1,970,612</u>	<u>\$1,947,264</u>	<u>\$2,121,922</u>

(1) An additional \$150 million par value and book value is held by insurance subsidiaries that eliminates in consolidation.

Subsidiary Capital. The National Association of Insurance Commissioners (NAIC) has established a risk-based factor approach for determining threshold risk-based capital levels for all insurance companies. This approach was designed to assist the regulatory bodies in identifying companies that may require regulatory attention. A Risk-Based Capital (RBC) ratio is typically determined by dividing adjusted total statutory capital by the amount of risk-based capital determined using the NAIC's factors. If a company's RBC ratio approaches two times the RBC amount, the company must file a plan with the NAIC for improving their capital levels (this level is commonly referred to as "Company Action Level" RBC). Companies typically hold a multiple of the Company Action Level RBC depending on their particular business needs and risk profile.

Our goal is to maintain statutory capital within our insurance subsidiaries at levels necessary to support our current ratings. Globe Life is targeting a consolidated Company Action Level Risk Based Capital (RBC) ratio in the range of 300% to 320% for 2020. The Company believes this capital level is more than adequate and is sufficient to support its current ratings given the nature of its business and its risk profile. At the end of 2019, the RBC ratio was 318%. While the potential effects of COVID-19, including lower growth in premium, higher policyholder claims, downgrades of fixed income securities within our investment portfolio and additional credit losses, could adversely affect the RBC ratio during 2020, the Parent Company is committed to maintaining the targeted consolidated RBC ratio at its insurance subsidiaries and has sufficient liquidity available to provide additional capital if necessary.

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Shareholders' Equity. On August 21, 2020, the Parent Company announced that it had declared a quarterly dividend of \$0.1875 per share. This dividend was paid on October 30, 2020.

Shareholders' equity was \$8.2 billion at September 30, 2020. This compares with \$7.3 billion at December 31, 2019 and \$7.3 billion at September 30, 2019. During the nine months since December 31, 2019, shareholders' equity increased primarily due to \$710 million of after-tax unrealized gains in the fixed-maturity portfolio as interest rates have decreased over the period. In addition, shareholders' equity was increased by net income of \$528 million. Share repurchases of \$257 million noted above during the period reduced shareholders' equity.

Globe Life is required under GAAP to revalue its available for sale fixed maturity portfolio to fair market value at the end of each accounting period. These changes, net of their associated impact on deferred acquisition costs and income tax, are reflected directly in shareholders' equity.

While GAAP requires our fixed maturity assets to be revalued, it does not permit interest-bearing insurance policy liabilities supported by those assets to be valued at fair value in a consistent manner, with changes in value applied directly to shareholders' equity. However, due to the size of both the investment portfolio and our policy liabilities, this inconsistency in measurement can have a material impact on shareholders' equity. Because of the long-term nature of our fixed maturities and liabilities and the strong cash flows generated by our insurance subsidiaries, we have the intent and ability to hold our securities to maturity. As such, we do not expect to incur realized gains or losses due to fluctuations in the market value of fixed maturities caused by interest rate changes or losses caused by temporarily illiquid markets. Accordingly, management removes the effect of this rule when analyzing the Company's balance sheet, capital structure, and financial ratios in order to provide a consistent and meaningful portrayal of the Company's financial position from period to period.

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The following table presents selected data related to our capital resources. Additionally, the table presents the effect of this accounting guidance on relevant line items, so that investors and other financial statement users may determine its impact on Globe Life's capital structure. Excluding the effect of unrealized gains and losses on the fixed maturity portfolio from shareholders' equity is considered non-GAAP. Below we include the reconciliation to GAAP.

Selected Financial Data

(Dollar amounts in thousands, except per share data)

	At					
	September 30, 2020		December 31, 2019		September 30, 2019	
	GAAP	Effect of Accounting Rule Requiring Revaluation ⁽¹⁾	GAAP	Effect of Accounting Rule Requiring Revaluation ⁽¹⁾	GAAP	Effect of Accounting Rule Requiring Revaluation ⁽¹⁾
Fixed maturities	\$ 20,277,056	\$ 3,389,389	\$ 18,907,147	\$ 2,491,371	\$ 18,797,674	\$ 2,587,951
Deferred acquisition costs ⁽²⁾	4,517,255	(6,338)	4,341,941	(7,488)	4,281,018	(7,897)
Total assets	28,041,893	3,383,051	25,977,460	2,483,883	25,791,906	2,580,054
Short-term debt	279,758	—	298,738	—	233,314	—
Long-term debt	1,667,506	—	1,348,988	—	1,351,190	—
Shareholders' equity	8,224,908	2,672,610	7,294,307	1,962,268	7,312,531	2,038,243
Book value per diluted share	77.60	25.21	66.02	17.76	65.96	18.38
Debt to capitalization ⁽³⁾	19.1 %	(6.8)%	18.4 %	(5.2)%	17.8 %	(5.3)%
Diluted shares outstanding	105,986		110,494		110,855	
Actual shares outstanding	105,058		107,720		108,444	

(1) Amount added to (deducted from) comprehensive income to produce the stated GAAP item, per accounting rule ASC 320-10-35-1.

(2) Includes the value of business acquired (VOBA).

(3) Globe Life's debt covenants require that the effect of this accounting rule be removed to determine this ratio. This ratio is computed by dividing total debt by the sum of total debt and shareholders' equity.

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CRITICAL ACCOUNTING POLICIES

The following critical accounting policy was updated since the 2019 Form 10-K due to the adoption of ASU 2016-13 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13.)

Valuation of Fixed Maturities. We hold a substantial investment in high-quality fixed maturities to provide for the funding of our future policy contractual obligations over long periods of time. While these securities are generally expected to be held to maturity, they are classified as available for sale and are sold from time to time, primarily to manage risk. We report this portfolio at fair value. Fair value is the price that we would expect to receive upon sale of the asset in an orderly transaction. The fair value of the fixed maturity portfolio is primarily affected by changes in interest rates in financial markets. Because of the size of our fixed maturity portfolio and the long average life, small changes in rates can have a significant effect on the portfolio and the reported financial position of the Company. However, as discussed under the caption *Financial Condition* in this report, the Company regards these unrealized fluctuations in value as having no meaningful impact on our actual financial condition and, as such, we remove them from consideration when viewing our financial position and financial ratios.

At times, the values of our fixed maturities can also be affected by illiquidity in the financial markets. Illiquidity would contribute to a spread widening, and accordingly to unrealized losses, on many securities that we would expect to be fully recoverable. Even though our fixed maturity portfolio is available for sale, we do not intend to sell securities and have the ability to hold the securities until maturity as a result of our strong and stable cash flows generated from our insurance products. Considerable information concerning the policies, procedures, classification levels, and other relevant data concerning the valuation of our fixed maturity investments is presented in *Note 1—Significant Accounting Policies* and in *Note 4—Investments* under the captions *Fair Value Measurements* in both notes.

Allowance for Credit Losses of Investments. We continually monitor our investment portfolio for investments where the fair value has declined below amortized cost as a potential result of a credit event. While the values of the investments in our portfolio constantly fluctuate due to non-credit events, a credit loss occurs when the present value of the expected cash flows is less than the amortized cost basis. This will result in the recording of a provision for credit losses for an individual security. The policies and procedures that we use to evaluate and account for impairments of investments are disclosed in *Note 1* and the discussions under the captions *Investments* and *Realized Gains and Losses* in this report. While every effort is made to make the best estimate of status and value with the information available regarding an allowance for credit loss, it is difficult to predict the future prospects of a distressed security.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no quantitative or qualitative changes with respect to market risk exposure during the nine months ended September 30, 2020.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures: Globe Life, under the direction of the Co-Chairmen and Chief Executive Officers and the Executive Vice President and Chief Financial Officer, has established disclosure controls and procedures that are designed to ensure that information required to be disclosed by Globe Life in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The disclosure controls and procedures are also intended to ensure that such information is accumulated and communicated to Globe Life's management, including the Co-Chairmen and Chief Executive Officers and the Executive Vice President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

As of the end of the fiscal period completed September 30, 2020, an evaluation was performed under the supervision and with the participation of Globe Life management, including the Co-Chairmen and Chief Executive Officers and the Executive Vice President and Chief Financial Officer, of the disclosure controls and procedures (as those terms are defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon their evaluation, the Co-Chairmen and Chief Executive Officers and the Executive Vice President and Chief Financial Officer have concluded that disclosure controls and procedures are effective as of the date of this Form 10-Q. In compliance with Section 302 of the Sarbanes Oxley Act of 2002 (18 U.S.C. § 1350), each of these officers executed a Certification included as an exhibit to this Form 10-Q.

Changes in Internal Control over Financial Reporting: As of the period ended September 30, 2020, there have not been any changes in Globe Life Inc.'s internal control over financial reporting or in other factors that could significantly affect this control over financial reporting subsequent to the date of their evaluation which have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Part II—Other Information

Item 1. Legal Proceedings

Discussion regarding litigation and unclaimed property audits is provided in *Note 5—Commitments and Contingencies*.

Item 1A. Risk Factors

The impact of COVID-19 and related risks could materially affect our results of operations, financial position and/or liquidity. The effects of the COVID-19 pandemic, and U.S. and international responses, are wide-ranging, costly, disruptive and rapidly changing. The global COVID-19 pandemic has resulted in and is expected to continue to result in significant disruptions in economic activity and financial markets. COVID-19 has directly and indirectly adversely affected the Company and will likely continue to do so for an uncertain period of time. Because of the size and breadth of this pandemic and the impact of related government and regulatory actions, all of the direct and indirect consequences of COVID-19 on the Company are not yet known and may not emerge for some time. Risks presented by the ongoing effects of COVID-19 which could negatively impact our revenues, expenses, cash flows or overall financial results include the following:

- Reduced demand of our insurance products;
- Reduced sales resulting from difficulties of a virtual sales and agent recruiting process;
- Reduced cash flows from premium waivers, delayed receipt of premium payments or lapses of premium-paying policies currently in force;
- Reduced cash flows from higher surrenders and claim payments;
- Greater than anticipated losses from higher policyholder claims;
- Exposure to increased risks related to the effectiveness of underwriting;
- Increased needs for capital at our regulated insurance subsidiaries;
- Disruptions, delays, and increased costs and risks related to working remotely, having limited or no access to our facilities and reductions or interruptions of critical or essential services;
- Increased operational risk due to the potential exposure and illness of key personnel;
- Exposure to additional and increased risks related to internal controls, data security and information privacy, both for the Company and for our suppliers, vendors and other third parties with whom we do business;
- Inability to properly comply in a timely manner with rapidly and dramatically changing business conditions and compliance requirements, including as a result of federal and state executive orders and regulatory guidance;
- Legislative, regulatory, and judicial actions in response to COVID-19, including, but not limited to:
 - prohibiting or postponing the cancellation or non-renewal of insurance policies in accordance with our policy terms;
 - requiring us to cover losses when our policies did not provide coverage or excluded coverage;
 - relaxing policyholder reporting requirements for claims, which may affect coverage under our policies;
 - requiring or encouraging premium waivers or refunds;
 - granting of extended grace periods for payment of premiums;
 - extending due date to pay past due premiums; and
 - regulatory slowdown resulting in a delay of rate and policy form approvals.
- Volatility and declines in global financial markets, defaults on fixed-maturity investments, and declines in interest rates, which could reduce (i) our future investment results (ii) the fair market value of our invested assets, or (iii) a permanent impairment of our invested assets; and
- Ratings downgrades, increased bankruptcies and credit spread widening in industries in which we invest in our fixed income portfolio.

To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in Part I, Item 1A, Risk Factors, of our 2019 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Certain Equity Securities by the Issuer and Others for the Third Quarter of 2020

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares (or Approximate Dollar Amount) that May Yet Be Purchased Under the Plans or Programs
July 1-31, 2020	592	\$ 72.53	592	
August 1-31, 2020	531,837	83.72	531,837	
September 1-30, 2020	1,053,872	80.99	1,053,872	

On August 5, 2020, the Globe Life Board of Directors reaffirmed its continued authorization of the Company's stock repurchase program in amounts and with timing that management, in consultation with the Board, determined to be in the best interest of the Company. The program has no defined expiration date or maximum shares to be repurchased.

Item 6. Exhibits

Exhibit No.	Description
10.1	The Globe Life Inc. Amended and Restated Pension Plan Generally Effective as of January 1, 2020
10.2	Amendment Seven to the Torchmark Corporation Supplemental Executive Retirement Plan
31.1	Rule 13a-14(a)/15d-14(a) Certification by Gary L. Coleman
31.2	Rule 13a-14(a)/15d-14(a) Certification by Larry M. Hutchison
31.3	Rule 13a-14(a)/15d-14(a) Certification by Frank M. Svoboda
32.1	Section 1350 Certification by Gary L. Coleman, Larry M. Hutchison, and Frank M. Svoboda
101.INS	XBRL Instance Document- the instance document does not appear in the Interactive Data file because the XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GLOBE LIFE INC.

Date: November 4, 2020

/s/ Gary L. Coleman

Gary L. Coleman

Co-Chairman and Chief Executive Officer

Date: November 4, 2020

/s/ Larry M. Hutchison

Larry M. Hutchison

Co-Chairman and Chief Executive Officer

Date: November 4, 2020

/s/ Frank M. Svoboda

Frank M. Svoboda

Executive Vice President and Chief Financial Officer

THE GLOBE LIFE INC.

AMENDED AND RESTATED PENSION PLAN

GENERALLY EFFECTIVE AS OF JANUARY 1, 2020

BACKGROUND

Effective as of January 1, 1983, Globe Life Inc. (the "Company"), previously known as "Torchmark Corporation," established a defined benefit pension plan ("Plan"), which is intended to be qualified pursuant to the provisions of the Internal Revenue Code of 1986, as amended. The Plan also is intended to provide eligible non-commissioned employees of the Company, and those of any affiliate which adopts the Plan, with a supplemental source of retirement income.

Effective as of January 1, 1989, the Plan was amended and restated to comply with the Tax Reform Act of 1986. The Plan was further amended effective January 1, 1992 and January 1, 1993.

Effective as of January 1, 1993, the Employer adopted Amendments Two and Three to the Plan.

Effective as of January 1, 1989, the Employer adopted Amendment Four to the Plan. Effective as of January 1, 1997, The Employer adopted Amendment Five to the Plan. Effective as of January 1, 1998, the Employer adopted Amendment Six to the Plan. Effective as of January 1, 2001, the Employer adopted Amendment Seven to the Plan.

Effective as of January 1, 1997, the Plan was amended and restated to comply with a number of tax law changes generally described by the acronym "GUST," as the second amendment and restatement of the Plan, which constitutes Amendment Eight to the Plan.

Effective as of January 1, 2002, the Employer adopted Amendment Nine to the Plan. Effective as of January 1, 2001, the Employer adopted Amendment Ten to the Plan. Effective as of January 1, 2004, the Employer adopted Amendment Eleven to the Plan. Effective as of March 28, 2005, the Employer adopted Amendment Twelve to the Plan. Effective as of January 1, 2008, the Employer adopted Amendment Thirteen to the Plan.

Effective as of the various dates specified therein, the Employer adopted Amendment Fourteen to the Plan.

Effective as of January 1, 2009, the Plan was amended and restated to comply with a number of tax law changes generally described by the acronym "EGTRRA," as the third amendment and restatement of the Plan, which constitutes Amendment Fifteen to the Plan.

Effective as of January 1, 2012, the Employer adopted Amendment Sixteen to the Plan.

Effective as of the various dates specified therein, the Employer adopted Amendment Seventeen to the Plan.

The fourth amendment and restatement of the Plan was adopted to comply with a number of tax law changes generally described by the acronym "PPA." The fourth amendment and restatement of the Plan was generally effective as of January 1, 2014 and constituted Amendment Eighteen to the Plan.

Effective as of January 1, 2020, the Employer adopted the 2020 First Amendment to the Plan which reflected the change in the Company's name and the change in the Plan's name.

Effective as of January 1, 2003, the Employer adopted the Amendment to the Plan which constituted the correction approved by the Internal Revenue Service in the VCP Compliance Statement dated July 16, 2020.

This fifth amendment and restatement of the Plan is adopted to incorporate prior amendments and to reflect the change in the Company's name and the change in the Plan's name, and is effective January 1, 2020.

The benefit under the Plan of any Participant who terminates employment or becomes disabled shall be determined in accordance with the provisions of the Plan as in effect on the date of such termination of employment or Disability.

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ARTICLE I DEFINITIONS

Each of the following terms shall have the meaning set forth in this Article I for purposes of this Plan:

1.1 Accrued Retirement Benefit: As of any date, the Retirement Benefit of a Participant calculated pursuant to the provisions of Article III (assuming he were to continue accruing Credited Service until Normal Retirement Age) times a fraction, the numerator of which is the number of years of Credited Service the Participant has then completed and the denominator of which is the total years of Credited Service he would have completed if he had continued in covered Employment until his Normal Retirement Age. In no event shall a Participant's Accrued Retirement Benefit be less than the Accrued Retirement Benefit to which the Participant would have been entitled had he terminated Employment on December 31, 1988 under the provisions of the Plan as then in effect. Notwithstanding the preceding paragraph, the Accrued Retirement Benefit with respect to a Liberty National Commissioned Participant or a Liberty National Non-Commissioned Participant shall mean as of any date, the Retirement Benefit of a Participant calculated pursuant to the provisions of Article III as if the Participant's Employment terminated on such date, but in no event less than the Accrued Retirement Benefit to which the Participant would have been entitled under the provisions of the Liberty National Pension Plan or the Liberty National Non-Commissioned Pension Plan as then in effect had he terminated Employment on December 31, 1988.

1.2 Actuarial Equivalent: An amount or a benefit of equivalent current value to the Retirement Benefit which would otherwise be provided a Participant, determined on the basis of the following actuarial assumptions for all forms of benefit in determining the amount payable to a Participant having an annuity starting date in a Plan Year beginning on or after January 1, 2008 (unless a different assumption is mandated for a specific purpose by the Pension Benefit Guaranty Corporation (PBGC) or IRS in which case such mandated assumption shall be substituted):

(a) Applicable mortality assumption. The applicable mortality table within the meaning of Code § 417(e)(3)(B), as initially described in Revenue Ruling 2007-67 (the "2008 Applicable Mortality Table") and any subsequent mortality table promulgated by the IRS for this purpose in place of the 2008 Applicable Mortality Table.

(b) Applicable interest rate. The rate of interest determined by the applicable interest rate described by Code § 417(e) after its amendment by the Pension Protection Act of 2006. Specifically, the applicable interest rate shall be the adjusted first, second, and third segment rates applied under the rules similar to the rules of Code § 430(h)(2)(C) for the second full calendar month (lookback month) preceding the calendar quarter in which the annuity starting date occurs (calendar quarter stability period). For this purpose, the adjusted first, second, and third segment rates are the first, second, and third segment rates which would be determined under Code § 430(h)(2)(C) if:

(i) Code § 430(h)(2)(D) were applied by substituting the average yields for the month described in the preceding Section 1.2(b) for the average yields for the 24-month period described in such Code Section; and

(ii) Code § 430(h)(2)(G)(i)(II) were applied by substituting "Code § 417(e)(3)(A)(ii)(II) for "Code § 412(b)(5)(B)(ii)(II)."

1.3 Administrative Committee: The committee appointed by the Board pursuant to, and having the responsibilities specified in, Article XI of the Plan.

1.4 Administrator: The Company or Administrative Committee appointed by the Board of Directors pursuant to, and having the responsibilities specified in, Article XI of the Plan.

1.5 Affiliate: Any corporation or unincorporated trade or business (other than the Company) while it is:

(a) A member of a "controlled group of corporations" (within the meaning of Code § 414(b)) of which the Company is a member;

(b) A trade or business under "common control" (within the meaning of Code § 414(c)) with the Company;

(c) A member of an "affiliated service group" (within the meaning of Code § 414(m)) which includes the Company; or

(d) Any other entity required to be aggregated with the Company under Code § 414(o).

1.6 Beneficiary: A person other than a Participant entitled to receive any payment of benefits pursuant to the terms of this Plan.

1.7 Benefit Commencement Date: The date, determined under Article V, as of which a Participant or a Beneficiary receives or begins to receive, as the case may be, payment of his benefits under the Plan.

1.8 Board of Directors or Board: The Board of Directors of the Company.

1.9 Code: The Internal Revenue Code of 1986, as now in effect or as amended from time to time. A reference to a specific provision of the Code shall include such provision and any applicable Regulation pertaining thereto.

1.10 Company: Globe Life Inc. (formerly known as Torchmark Corporation), or any successor thereto by consolidation, merger, transfer of assets or otherwise.

1.11 Comparable Plan: A plan of the same type as described in Regulation § 1.381(c)(11)-1(d)(4).

1.12 Compensation: The total cash compensation paid to an Employee during a calendar year by his Employer, including salary, wages, bonuses, any amounts not paid directly and currently in cash to an Employee but paid for the benefit of an Employee through a "salary reduction" agreement in conjunction with one or more welfare plans, any qualified transportation fringes of the Employer and the total amount deferred pursuant to an Employee's election under a "cash or deferred arrangement" in conjunction with one or more qualified retirement plans of the Employer, but excluding:

(a) Any reimbursement of or allowances for expenses;

- (b) Employer contributions to any form of employee retirement, pension, profit sharing or thrift plan;
- (c) Director's fees;
- (d) Annual service awards;
- (e) Deferred compensation accrued under any nonqualified deferred compensation agreement or contract or any amendment or replacement thereof;
- (f) Commissions, other than commissions payable with respect to or on account of the sale or lease of real property; and
- (g) Payments made to any Employee after such Employee's separation from service, in the form of severance benefits.

The definition of Compensation shall apply as set forth in this Section 1.12 with respect to a Liberty National Non-Commissioned Participant by replacing Section 1.12(f) in the list of excluded forms of compensation above, as follows:

- (h) Commissions; and

The definition of Compensation shall apply as set forth in this Section 1.12 with respect to a Liberty National Commissioned Participant by replacing Sections 1.12(f) and (g) in the list of excluded forms of compensation above and by adding Section 1.12(h) as follows:

- (i) Renewal commissions, other than renewal commissions paid to agents authorized to solicit applications for both ordinary and home service policies of insurance;
- (j) Any amounts due to or paid to a Participant as a result of the settlement of his or her commission account balance upon the termination of his or her Employment for any reason; and
- (k) Payments made to any Employee after such Employee's separation from service, in the form of severance benefits.

The determination of Compensation will be in accordance with records maintained by the Employer and shall be conclusive. Anything in this definition to the contrary notwithstanding, the Compensation taken into account for a Participant for Plan purposes for any Plan Year commencing on or after January 1, 1989 and prior to January 1, 1994 shall not exceed \$200,000 (or such adjusted amount as may be prescribed for such Plan Year pursuant to Code § 401(a)(17)) and for any Plan Year commencing after December 31, 1993 shall not exceed \$150,000 (or such adjusted amount as may be prescribed for such Plan Year pursuant to Code § 401(a)(17)).

The annual Compensation of each Participant taken into account in determining benefit accruals in any Plan Year beginning after December 31, 2001, shall not exceed \$200,000. Annual Compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the determination period). For purposes of determining benefit accruals in a Plan Year beginning after December 31, 2001, the annual Compensation limit for determination periods beginning before January 1, 2002, shall be \$150,000 for any determination period beginning in 1996 or earlier; \$160,000 for any determination period

beginning in 1997, 1998, or 1999; and \$170,000 for any determination period beginning in 2000 or 2001. The \$200,000 limit on annual Compensation shall be adjusted for cost-of-living increases in accordance with Code § 401(a)(17)(B). The cost-of-living adjustment in effect for a calendar year applies to annual Compensation for the determination period that begins with or within such calendar year.

Compensation paid after "Severance from Employment" for purposes of benefits shall be adjusted in the same manner as 415 Compensation pursuant to Section 3.4.3(a) if those amounts would have been included in earnings if they were paid prior to the Participant's "Severance from Employment," except in applying Section 3.4.4, the term "Limitation Year" shall be replaced with the term "Plan Year" and the term "415 Compensation" shall be replaced with the term "Compensation." Compensation for purposes of benefits does not include any termination or severance pay or final vacation pay, regardless of when paid. The provisions of this paragraph shall apply for Plan Years beginning on and after January 1, 2008.

1.13 Covered Compensation: The average of the annual contribution and benefits base under § 230 of the Social Security Act for each year for the 35 year period ending in the year the Participant reaches Social Security Retirement Age (SSRA), except for a Participant who separates before attainment of SSRA the base for the year of separation will be assumed to be the base for all future years to SSRA without increases or adjustments.

1.14 Credited Service: The Years of Service for computation of the amount of a Participant's Retirement Benefit as defined in Article III.

1.15 Deferred Retirement: Termination of Employment of a Participant after his Normal Retirement Date.

1.16 Defined Benefit Plan: A plan of the type defined in Code § 414(j) maintained by the Company or an Affiliate, as applicable.

1.17 Defined Contribution Plan: A plan of the type defined in Code § 414(i) maintained by the Company or an Affiliate, as applicable.

1.18 Disability: Total and permanent disability for a period of at least six months as defined by either (i) the group disability benefit plan maintained by the Participant's Employer, or (ii) the United States Social Security Administration.

1.19 Early Retirement: Termination of Employment, other than by reason of Disability or death, of a Participant prior to Normal Retirement Age who has completed at least 10 full years of Vesting Service and has attained the age of 55.

With respect to a Liberty National Commissioned Participant or a Liberty National Non-Commissioned Participant, Early Retirement shall mean termination of Employment, other than by reason of Disability or death, of a Participant prior to Normal Retirement Age who has completed at least 15 full years of Vesting Service and has attained the age of 55.

1.20 Effective Date: The original effective date of the Plan is January 1, 1983, while the terms and conditions of this restated and amended Plan as herein set forth shall be effective, except as may otherwise be specified herein, on or after January 1, 2020.

1.21 Eligible Employee: Section 1.21 was amended effective January 1, 2013 to read as follows:

Except as provided in the second paragraph of this Section 1.21, (a) all Employees of the Company; (b) all Employees of each Affiliate (other than Liberty National Life Insurance Company) participating in the Plan pursuant to Section 13.8; and (c) all Employees of Liberty National Life Insurance Company who have an initial date of hire after December 31, 2011 on the employment records of Liberty National Life Insurance Company (whether as a new hire or a transfer of employment from an Affiliate).

The foregoing paragraph notwithstanding, the following Employees of the Company and of each Affiliate (including Liberty National Life Insurance Company) are not included in the term "Eligible Employee:" (d) Employees who are classified, treated or otherwise characterized by the Employer as general agents, trainers, agents, branch managers, regional managers, district managers, brokers, solicitors, unit managers, assistant unit managers or any other individual whose primary duty involves the direct sale of insurance, regardless of the mode of compensation; (e) Employees included in a unit of employees covered by a collective bargaining agreement between the Employer and the employee representatives in the negotiation of which retirement benefits were the subject of good faith bargaining, unless such bargaining agreement provides for participation in the Plan; (f) Leased Employees; and (g) an Employee of a former "Employer," including, without limitation, a "Participating Employer," as those terms were defined in the Liberty National Pension Plan or the Liberty National Non-Commissioned Pension Plan if such Employee was first credited with an Hour of Service on or after January 1, 1995 and before January 1, 2012. The term "Eligible Employee" shall not include, prior to January 1, 2004, Employees of a Participating Employer in the Plan if the Participating Employer was identified as an "Employer," including, without limitation, a "Participating Employer," in the Liberty National Pension Plan or the Liberty National Non-Commissioned Pension Plan prior to January 1, 2004.

For historical purposes only, Eligible Employees under the Liberty National Non-Commissioned Pension Plan did not include: any individual whose duties include selling products of Liberty National Life Insurance Company or an Affiliate on a commissioned basis and any Employee of Liberty National Life Insurance Company who were first credited with an Hour of Service on or after January 1, 1995; and Eligible Employees under the Liberty National Pension Plan included all Employees of Liberty National Life Insurance Company who were compensated in whole or in part by commissions or under contract with an Employer as a District Manager or a Career Agent performing services for remuneration for the Employer as a full-time life insurance salesman, and did not include Employees who were first credited with an Hour of Service on or after January 1, 1995. For purposes of this paragraph, the meaning of the terms used herein shall have the same meaning they had under the respective former plan.

1.22 Employee: Section 1.22 was amended effective January 1, 2012 to read as follows:

Any individual who is classified, treated or otherwise characterized by an Employer as a common law employee of an Employer, and Leased Employees within the meaning of Code § 414(n)(2). Notwithstanding the foregoing, if such Leased Employees do not constitute more than 20% of the Employer's nonhighly compensated work force within the meaning of Code § 414(n)(5)(C)(ii), the term "Employee" shall not include those Leased Employees covered by a plan described in Code § 414(n)(5) unless otherwise provided by the terms of this Plan. Any individual who is classified, treated or otherwise characterized by an Employer as an independent contractor is not included in the

term "Employee." The foregoing determination of whether an individual is an "Employee" for purposes of this Plan shall be made by an Employer subject to the approval and consent of the Administrator in its sole discretion. Said determination shall apply for all purposes of this Plan and regardless of whether such individual is later classified by any governmental agency, court, tribunal, governing body or any other person or entity as a common law employee of an Employer. It is the intent hereof that an Employer subject to the approval and consent of the Administrator shall decide in its sole discretion which individuals are classified as an Employee for purposes of this Plan.

1.23 Employer: The Company and each Affiliate participating in the Plan pursuant to Section 13.8.

1.24 Employment: An Employee's employment with the Company or an Affiliate or, to the extent determined by the Administrator, any predecessor of any of them.

1.25 Entry Date: The first day of the payroll period following the date the Eligible Employee has satisfied the requirements of Section 2.1.1.

1.26 ERISA: The Employee Retirement Income Security Act of 1974, as amended from time to time. Reference to a specific provision of ERISA shall include such provision and any applicable regulation pertaining thereto.

1.27 Final Average Compensation: The highest average of the Participant's annual Compensation for any five consecutive full calendar years of Employment during the 10 consecutive calendar years of Employment immediately preceding the Participant's termination of Employment, provided that any service credited for a period of Disability shall be disregarded in determining such 10 consecutive years. In the event the Participant does not have at least five full calendar years of Employment, Final Average Compensation shall mean the average annual Compensation for the Participant's total number of full years of Employment. A Participant's annual Compensation, without annualization, during the part of the calendar year immediately preceding his termination of Employment will be treated as his annual Compensation for a full calendar year for the purpose of this Section 1.27 if that produces a higher average. If a Participant is rehired and is entitled to the reinstatement of prior Credited Service and Vesting Service and does not have at least five full consecutive years of annual Compensation after he is rehired, then his Final Average Compensation shall mean the average of the annual Compensation for the Participant's last five complete calendar years of Employment.

1.28 Hour of Service:

(a) Each hour for which an Employee is paid, or entitled to payment, for the performance of duties for an Employer (or (i) for an Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate, and (ii) with respect to a person who became a Participant on January 1, 1985 and who on December 31, 1984 was employed by Schroder Energy Advisors, for Schroder Energy Advisors or any other participating employers in the Schroder Plan) during the applicable computation period.

(b) Each hour for which an Employee is paid, or entitled to payment, by an Employer (or (i) by an Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate, and (ii) with respect to a person who became a Participant on January 1, 1985 and who on December 31, 1984 was employed by Schroder Energy Advisors, for Schroder

Energy Advisors or any other participating employers in the Schroder Plan) on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including Disability), lay-off, jury duty, military duty or leave of absence. An hour for which an Employee is directly or indirectly paid or entitled to payment on account of a period during which no duties are performed is not credited to the Employee if such payment is made or due under a plan maintained solely for the purpose of providing severance benefits or complying with the applicable unemployment compensation laws. Hours of Service are not credited for a payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee.

(c) Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by an Employer (or (i) by an Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate, and (ii) with respect to a person who became a Participant on January 1, 1985 and who on December 31, 1984 was employed by Schroder Energy Advisors, for Schroder Energy Advisors or any other participating employers in the Schroder Plan). The same Hours of Service shall not be credited both under Section 1.28(a) or Section 1.28(b), as the case may be, and under this Section 1.28(c).

(d) If, in accordance with standard personnel policies applied in a non-discriminatory manner to all Employees similarly situated, an Employer determines in writing that an Employee's approved, unpaid leave of absence furthers the interest of the Employer, each hour for which the Employee on the approved unpaid leave of absence would normally have received credit under this Plan if he had been working in his regular Employment for the Employer (or an Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate).

(e) An Employee of the Employer (or an Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate) who is regularly employed by such Employer (or Affiliate) for at least 35 hours a week shall be credited with 45 Hours of Service if under this Plan he would be credited with at least one Hour of Service during the week.

(f) An Employee of the Employer (or an Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate) who is not regularly employed by such Employer (or Affiliate) for at least 35 hours a week shall be credited with the actual Hours of Service for which he is paid or entitled to credit under this Plan. Provided, however, notwithstanding anything to the contrary in the preceding sentence, for the period beginning January 1, 2003 and ending December 31, 2019, an Employee of the Employer (or an Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate) who is not regularly employed by such Employer (or Affiliate) for at least 35 hours a week shall be credited with 45 Hours of Service if under this Plan he would be credited with at least one Hour of Service during the week. With respect to periods after December 31, 2019, the first sentence of this Subsection 1.28(f) shall apply.

(g) Hours of Service shall be calculated and credited pursuant to § 2530-200b-2 of the Department of Labor Regulations which are incorporated herein by this reference.

(h) With respect to a Liberty National Commissioned Participant, Sections 1.28(e) and (f) shall not apply, and the following shall apply in determining Hours of Service: (i) all references to Schroder Energy Advisors shall not apply; (ii) for years prior to January 1, 1986, an Employee whose compensation from an Employer (or an Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate) with respect to a week consists in part of

commissions, or who is regularly employed by such Employer (or Affiliate) for at least 37 1/2 hours a week shall be credited with 45 Hours of Service if under the Plan he would be credited with at least one Hour of Service during the week. Effective January 1, 1986, an Employee of the Employer (or an Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate) shall be credited with 45 Hours of Service if under this Plan he would be credited with at least one Hour of Service during the week; (iii) for years prior to January 1, 1986, an Employee whose compensation from the Employer (or an Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate) with respect to a week does not consist in part of commissions and who is not regularly employed by such Employer (or Affiliate) for at least 37 1/2 hours a week shall be credited with the actual Hours of Service for which he is paid or entitled to credit under this Plan.

(i) With respect to a Liberty National Non-Commissioned Participant, all references to Schroder Energy Advisors shall not apply.

1.29 Investment Manager: Any person appointed pursuant to Section 9.1 having the power to direct the investment of assets in accordance with that Section.

1.30 Leased Employee: Any individual (who otherwise is not an Employee of the Employer) who, pursuant to a leasing agreement between the Employer and any other person, has performed services for the Employer (or for the Employer and any persons related to the Employer within the meaning of Code §144(a)(3)) on a substantially full time basis for at least one year and who performs services under the primary direction and control of the Employer.

1.31 Liberty National Commissioned Participant: A Former Participant in the Liberty National Pension Plan who came into the Plan effective January 1, 2004 pursuant to the merger of the Liberty National Pension Plan with and into the Plan.

1.32 Liberty National Non-Commissioned Participant: A Former Participant in the Liberty National Non-Commissioned Pension Plan who came into the Plan effective January 1, 2004 pursuant to the merger of the Liberty National Non-Commissioned Pension Plan with and into the Plan. This shall specifically include Liberty National Non-Commissioned Participants who are employees of United Investors Life Insurance Company.

1.33 Liberty National Non-Commissioned Pension Plan: The Liberty National Life Insurance Company Pension Plan for Non-Commissioned Employees, which merged with and into the Plan on January 1, 2004.

1.34 Liberty National Pension Plan: The Liberty National Life Insurance Company Pension Plan, which merged with and into the Plan on January 1, 2004.

1.35 Non-Vested Separation: Termination of Employment (other than by reason of death or Disability) of a Participant whose vested percentage in his Retirement Benefit is zero percent.

1.36 Normal Retirement: Termination of Employment of a Participant at Normal Retirement Age.

1.37 Normal Retirement Age: Age 65.

1.38 Normal Retirement Date: The last day of the payroll period of the Employer coinciding with or next following the date on which the Participant attains age 65.

1.39 One Year Break in Service: Any period of twelve consecutive months, beginning with the date of an Employee's Employment or any anniversary of the date of such Employment, during which the Employee has not completed more than 500 Hours of Service; except that effective January 1, 1985, for absences beginning on or after January 1, 1985, a Participant who is absent from work due to such Participant's pregnancy, the birth of the Participant's child or by reason of the adoption of a minor child by the Participant for the purpose of caring for such child immediately following its birth or adoption and who provides timely information establishing to the satisfaction of the Administrator the reasons for the absence and the number of days of such absence will be treated as performing a normal schedule (or eight hours per day) up to a maximum of 501 Hours of Service in either the year in which the absence begins or the year immediately following the year in which the absence begins as necessary to prevent such Participant from incurring a One Year Break in Service in either (but not both) the year in which the absence begins or the year immediately following the year in which the absence begins.

1.40 Participant: An Employee who has commenced, but not terminated, participation in the Plan as provided in Article II.

1.41 Participating Affiliates: Any Affiliate which in accordance with Section 13.8 by duly authorized action has adopted the Plan and not withdrawn therefrom.

1.42 Plan: The Globe Life Inc. Pension Plan (formerly known as The Torchmark Corporation Pension Plan).

1.43 Plan Year: Each twelve consecutive month period ending on December 31, during any part of which the Plan is in effect.

1.44 Qualified Joint and Survivor Annuity: An annuity for the life of the Participant with a survivor annuity continuing after the Participant's death to the Participant's Surviving Spouse for the Surviving Spouse's life in an amount which is equal to 50% of the amount payable during the joint lives of the Participant and such Surviving Spouse and which is the Actuarial Equivalent of the Participant's Retirement Benefit.

1.45 Qualified Plan: A Defined Contribution Plan or a Defined Benefit Plan which is qualified under Code § 401(a).

1.46 Qualified Pre-Retirement Survivor Annuity: The pre-retirement death benefit provided for in Section 7.1.1(2).

1.47 Retirement Benefit: The retirement benefit of a Participant calculated under Article III in the form of a single life annuity payable monthly commencing on Normal Retirement Date for the life of the Participant.

1.48 Schroder Plan: The Employee's Retirement Plan of Schroder Incorporated and Associated Companies.

1.49 Social Security Offset Percentage: The percentage factor utilized in determining the social security offset for a Participant. This offset percentage is based on the Participant's Social

Security Retirement Age and the age at which the Participant's benefits commence. The appropriate offset percentages are as follows:

Benefit Commencement Age	Social Security Retirement Age		
	Age 65	Age 66	Age 67
	(Interpolate for months)		
55	0.750%	0.688%	0.632%
56	0.750%	0.703%	0.645%
57	0.750%	0.706%	0.662%
58	0.750%	0.708%	0.667%
59	0.750%	0.711%	0.671%
60	0.750%	0.712%	0.675%
61	0.750%	0.682%	0.648%
62	0.750%	0.688%	0.625%
63	0.750%	0.692%	0.635%
64	0.750%	0.696%	0.643%
65	0.750%	0.700%	0.650%
66	0.750%	0.750%	0.700%
67	0.750%	0.750%	0.750%

1.50 Social Security Retirement Age: The earliest age at which a Participant is entitled to receive his full benefit under the Social Security Act. The appropriate Social Security Retirement Ages are as follows:

Calendar Year of Birth	Age of Social Security Retirement Age
1937 and Before	Age 65
1938 to 1954	Age 66
1955 and after	Age 67

1.51 Special Average Earnings: The average of the Participant's annual Compensation for the three completed consecutive calendar year periods during his last five complete consecutive calendar years of Employment which yields the highest average, or if employed less than three complete consecutive calendar years the amount obtained by converting his Compensation for the most recent period of Employment to an annual rate, where Compensation considered for any year cannot exceed the Social Security contribution and benefits base under § 230 of the Social Security Act for that year. Notwithstanding the above, Special Average Earnings will not exceed the Participant's Covered Compensation.

1.52 Spouse: The person lawfully married to a Participant. "Lawfully married" means the marriage occurred in a jurisdiction that recognized the marriage as legal.

1.53 Surviving Spouse: The Spouse of a Participant on the earlier of:

- (a) The date of the Participant's death; or

(b) The Participant's Benefit Commencement Date.

1.54 Trust or Trust Fund: The trust established under the Plan in which Plan assets are held.

1.55 Trust Agreement: The agreement between the Company and the Trustee with respect to the Trust fund.

1.56 Trustee: The trustee appointed pursuant to Article X, and any successor trustee.

1.57 Vested Separation: Termination of Employment of a Participant for any reason other than Disability before he is eligible for Early Retirement, with a vested percentage in his Retirement Benefit.

1.58 Vesting Service: The Years of Service credited to a Participant under Section 4.2 for purposes of determining the Participant's vested percentage in his Retirement Benefit.

1.59 Year of Service:

(a) For purposes of determining eligibility to participate under Article II and for purposes of determining Vesting Service, for Employment, or return to Employment after a One Year Break in Service, beginning in 1975 or later years, a period of 12 consecutive months beginning with the date of Employment or return to Employment during which an Employee has not less than 1,000 Hours of Service for an Employer (or (i) for an Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate, and (ii) with respect to a person who became a Participant on January 1, 1985 and who on December 31, 1984 was employed by Schroder Energy Advisors, for Schroder Energy Advisors or any other participating employer in the Schroder Plan in employment covered by the Schroder Plan).

(b) For purposes of determining Credited Service, for Employment, or return to Employment after a One Year Break in Service, beginning in 1975 or later years, a period of 12 consecutive months beginning with the date of Employment or return to Employment during which an Employee has not less than 2,000 Hours of Service for an Employer in Employment covered by the Plan (or (i) for an Affiliate in employment covered by such Affiliate's Comparable Plan in the case of an Employee who has transferred his Employment to the Employer from such Affiliate, and (ii) with respect to a person who became a Participant on January 1, 1985 and who on December 31, 1984 was employed by Schroder Energy Advisors, for Schroder Energy Advisors or any other participating employer in the Schroder Plan in employment covered by the Schroder Plan). An Employee who completes at least 1,000 Hours of Service but less than 2,000 Hours of Service in a computation period shall be credited with a fraction of a Year of Service for such period, determined by dividing his Hours of Service in such period by 2,000.

(c) With respect to a Liberty National Commissioned Participant or a Liberty National Non-Commissioned Participant, the following shall also apply for purposes of determining eligibility to participate under Article II and for purposes of determining Vesting Service:

(i) All references to Schroder Energy Advisors shall not apply;

(ii) For Employment which began before 1975, with respect to periods before the 1975 anniversary of such Employment, an aggregate of 52 weeks during each of which an Employee was employed on a permanent basis for at least 35 hours a week by an Employer (or by an

Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate);

(iii) For Employment which began before 1975, with respect to periods after the 1975 anniversary of such Employment, a period of 12 consecutive months beginning with the date of such anniversary in 1975 or later years during which an Employee has not less than 1,000 Hours of Service for an Employer (or an Affiliate in the case of an Employee who has transferred his Employment to the Employer from such Affiliate); and

(iv) For Employees who are former employees of Peninsular Life Insurance Company and whose employment with Liberty National Life Insurance Company began on May 20, 1985 as a result of the acquisition by Liberty National Life Insurance Company of the Home Service Division of Peninsular Life Insurance Company, a period of twelve consecutive months beginning with the date of employment or return to employment with Peninsular Life Insurance Company during which such individuals had not less than 1,000 Hours of Service with either or both Peninsular Life Insurance Company and Liberty National Life Insurance Company.

(d) With respect to a Liberty National Commissioned Participant or a Liberty National Non-Commissioned Participant, the following shall also apply for purposes of determining Credited Service:

(i) All references to Schroder Energy Advisors shall not apply;

(ii) For Employment which began before 1975, with respect to periods before the 1975 anniversary of such Employment, an aggregate of 52 weeks during each of which an Employee was employed in Employment covered by the Plan on a permanent basis for at least 35 hours a week by an Employer (or by an Affiliate in employment covered by such Affiliate's Comparable Plan in the case of an Employee who has transferred his Employment to the Employer from such Affiliate);

(iii) For Employment which began before 1975 with respect to periods after the 1975 anniversary of such Employment, a period of 12 consecutive months beginning with the date of such anniversary in 1975 or later years during which an Employee has not less than 2,000 Hours of Service in Employment covered by the Plan for an Employer (or for an Affiliate in employment covered by such Affiliate's Comparable Plan in the case of an Employee who has transferred his Employment to the Employer from such Affiliate);

(iv) For Employees who are former employees of Peninsular Life Insurance Company and whose Employment with Liberty National Life Insurance Company began on May 20, 1985 as a result of the acquisition by Liberty National Life Insurance Company of the Home Service Division of Peninsular Life Insurance Company and who are employed by Liberty National Life Insurance Company for the period beginning on May 20, 1985 and ending on a date which is no earlier than May 20, 1988, a period of 12 consecutive months beginning with the date of employment or return to employment with Peninsular Life Insurance Company during which such individuals had not less than 2,000 Hours of Service with either or both Peninsular Life Insurance Company and Liberty National Life Insurance Company; and

(v) For purposes of Section 1.59(d)(iii), an Employee who completes at least 1,000 Hours of Service but less than 2,000 Hours of Service in a computation period shall be

credited with a fraction of a Year of Service for such period, determined by dividing his Hours of Service in such period by 2,000.

ARTICLE II PARTICIPATION

2.1 Admission as a Participant

2.1.1 An Eligible Employee shall become a Participant on the first day of the payroll period next following the later of his completion of one Year of Service or his attainment of age 21.

2.1.2 An Employee who did not become a Participant on the Entry Date next following the date on which he met the eligibility requirements of Section 2.1.1 because he was not then an Eligible Employee shall become a Participant as of the first day on which he becomes an Eligible Employee.

2.1.3 If an Employee has not completed 1,000 Hours of Service for the Employer by the anniversary of his Employment, the next 12-month period for determining a Year of Service shall begin on the January 1 next following his date of Employment and thereafter any subsequent 12-month period shall begin on the anniversary of his Employment.

2.1.4 Notwithstanding any other provision of this Article II, an Employee who was an employee of an "Employer" or a "Participating Employer" in the Liberty National Pension Plan or the Liberty National Non-Commissioned Pension Plan (as those terms were therein defined) prior to January 1, 2004 and who was excluded from participation in those plans shall not be eligible to participate in the Plan.

2.2 Reemployment

An individual who has ceased to be a Participant and who again becomes an Eligible Employee shall become a Participant as of the first date on which he again becomes an Eligible Employee, unless he has had a One Year Break in Service. If an individual again becomes an Eligible Employee after a One Year Break in Service, he shall become a Participant upon completion of one Year of Service retroactive to a date which is not later than the date he again became an Eligible Employee.

2.3 Termination of Participation

A Participant shall cease to be such:

- (a) Upon the payment to him of all nonforfeitable benefits due to him under the Plan at a time when he is no longer eligible for any future benefit accrual;
- (b) Upon his Non-Vested Separation;
- (c) Upon his death; or
- (d) Upon the transfer of his Accrued Benefit to another Qualified Plan.

ARTICLE III RETIREMENT BENEFIT

3.1 Retirement Benefit Formula

3.1.1 A Participant's monthly Retirement Benefit shall be an amount equal to 1/12 of the excess of (a) over the sum of (b) and (c) below, where:

(a) Is 1% of the Participant's Final Average Compensation for each year of Credited Service up to 40 years plus 2% of the Participant's Final Average Compensation (not to exceed 40%) for each year of Credited Service after the Participant's attainment of age 45;

(b) Is the social security offset which is equal to the smaller of:

(i) 50% of the basic benefit calculated above in paragraph (a), but substituting Special Average Earnings for Final Average Compensation in the formula; or

(ii) The Social Security Offset Percentage times the Participant's Special Average Earnings times each year of Credited Service not to exceed 35 years;

(c) Is the Participant's annual retirement income (expressed in the form of a single life annuity commencing at Normal Retirement Date) under (i) the Comparable Plan of an Affiliate of the Employer or any corporation merged into the Employer or whose assets were acquired by the Employer, (ii) any non-comparable plan of such Affiliate to the extent that such benefit is an offset under any Comparable Plan of such Affiliate and (iii) for a person who became a Participant on January 1, 1985 and who on December 31, 1984 was employed by Schroder Energy Advisors, the Schroder Plan; provided, however, that if (iv) the assets and liabilities from any plan referred to in this paragraph (c) have been transferred to the Plan pursuant to a trustee-to-trustee transfer of assets and liabilities, and (v), such transfer of assets and liabilities was made for the benefit of the Participant, the reduction in the monthly Retirement Benefit otherwise required by this paragraph (c) shall not apply.

3.1.2 However, in no case shall the monthly Retirement Benefit for any Participant described in Article XIV be less than the monthly normal retirement benefit set forth in Article XIV.

3.1.3 The amount of Retirement Benefit calculated under this Section 3.1 shall be subject to actuarial adjustment if it is payable in any other form of payment authorized by this Plan.

3.1.4 The Retirement Benefit of a Participant who terminated Employment or incurred a Disability prior to the Effective Date shall be determined in accordance with the provisions of the Plan as in effect on the date of termination of Employment or Disability.

3.1.5 The provisions of this Section 3.1 shall not apply with respect to a Liberty National Commissioned Participant or a Liberty National Non-Commissioned Participant.

3.2 Rules for Determining Years of Credited Service

3.2.1 Subject to Sections 3.2.2 through 3.2.7 below, Credited Service shall mean the sum of a Participant's Years of Service, expressed in full years and fractions thereof, except for the following:

(a) Any period of Employment prior to the first anniversary of the Participant's Employment following his 20th birthday (or 24th birthday for years prior to January 1, 1985); and

(b) Any period of Employment in a classification in which the Participant does not qualify as an Eligible Employee.

3.2.2 If an Employee is on an authorized unpaid leave of absence granted by his Employer, his period of absence shall be counted as Credited Service upon his return to active Employment only if his Employer determines in writing, in accordance with standard personnel policies applied in a non-discriminatory manner to all Employees similarly situated, that such absence furthers the interest of the Employer.

3.2.3 If an Employee is on an authorized military leave while his reemployment rights are protected by law and provided that he directly entered military service from his Employer's service and shall not have voluntarily reenlisted after the date of first entering active military service, his period of absence shall be counted as Credited Service upon his return to active Employment.

3.2.4 If an Employee is on an authorized leave of absence on account of Disability, he shall continue to receive Credited Service from the date of Disability until the earlier of: (i) his Early Retirement Date; (ii) his Normal Retirement Date; or (iii) his recovery from Disability.

3.2.5 An Employee who terminates Employment with no vested percentage in his Retirement Benefit shall, if he returns to Employment, have no credit for Credited Service prior to such termination of Employment if (i) for years prior to January 1, 1985, the total of his consecutive One Year Breaks in Service immediately preceding his reemployment exceed his aggregate years of Vesting Service (whether or not consecutive, but excluding Vesting Service previously disregarded under Section 4.2.4) prior to the termination; or (ii) for years on or after January 1, 1985, the total of his consecutive One Year Breaks in Service immediately preceding his reemployment exceed the greater of five years or his aggregate years of Vesting Service (whether or not consecutive, but excluding Vesting Service previously disregarded under Section 4.2.4) prior to the termination. A Participant who had a Vested Separation and returns to Employment will retain credit for his prior years of Credited Service unless he received a distribution of his Accrued Retirement Benefit at the time of such Vested Separation.

3.2.6 No Participant shall receive Credited Service during a period when such Participant is accruing benefits under another Defined Benefit Plan of the Employer or an Affiliate unless the Retirement Benefit under this Plan is reduced or offset by the full amount of benefits accrued by such Participant under such other Defined Benefit Plan; provided, however, that if (i) the assets and liabilities from such other Defined Benefit Plan have been transferred to the Plan pursuant to a trustee-to-trustee transfer of assets and liabilities, and (ii), such transfer of assets and liabilities was made for the benefit of the Participant, the reduction in the monthly Retirement Benefit otherwise required by this Section 3.2.6 shall not apply.

3.2.7 By appropriate corporate action exercised in a uniform and nondiscriminatory manner and, where applicable consented to by the Company, each Employer may grant Credited Service for any Employment with such Employer prior to the time it became an Employer.

3.3 Retirement Benefit Formula with respect to a Liberty National Non-Commissioned Participant or a Liberty National Commissioned Participant

3.3.1 Section 3.3.1 was amended effective January 1, 2012 to read as follows:

A Participant's monthly Retirement Benefit shall be an amount equal to 1/12 of the excess of (a) over the sum of (b), (c) and (d) below, where:

(a) Is 2% of the Participant's Final Average Compensation for each year of Credited Service up to 30 years plus 1% of the Participant's Final Average Compensation for each year of Credited Service in excess of 30 years (not exceeding 10%);

(b) Is the social security offset which is equal to the smaller of:

(i) 50% of the basic benefit calculated above in paragraph (a), but substituting Special Average Earnings for Final Average Compensation in the formula; or

(ii) The Social Security Offset Percentage times the Participant's Special Average Earnings times each year of Credited Service not to exceed 35 years;

(c) Is the Participant's "Profit Sharing and Retirement Plan Annuity;"

(d) Is the Participant's annual retirement income (expressed in the form of a single life annuity commencing at Normal Retirement Date) under the Comparable Plan or Plans of the Company or any affiliate of the Company or any other corporation merged into the Company, or whose assets were acquired by the Company.

A "Profit Sharing and Retirement Plan Annuity" shall mean the annual single life annuity, without death benefit, which can be provided by that portion of the Participant's account under the Profit Sharing and Retirement Plan attributable to the Company contributions and earnings thereon. Effective March 28, 2011, the Profit Sharing and Retirement Plan was merged into the Globe Life Inc. Savings and Investment Plan (formerly, the "Torchmark Corporation Savings and Investment Plan") and thereafter the Profit Sharing and Retirement Plan account is maintained under the Globe Life Inc. Savings and Investment Plan. In determining the amount attributable to the Company contributions and earnings thereon for this purpose no deduction shall be made for the amount of any loans outstanding. There shall be added to the amount attributable to Company contributions and earnings thereon:

(1) The amount of any withdrawal(s) by, and prior distribution(s) to, the Participant to the extent such withdrawals and prior distributions exceed the amount of the Participant's contributions and earnings thereon; and

(2) The amount of the earnings of the Plan which would have been allocated to the amount(s) described in the preceding paragraph (1) from the date of such withdrawals or distributions.

A Participant's Profit Sharing and Retirement Plan Annuity shall be calculated as of his termination of Employment, based upon the Participant's attained age and the Company's rate basis for annuities purchasable under the Profit Sharing and Retirement Plan on such date. A Participant's Profit Sharing and Retirement Plan Annuity may be calculated on either an immediate or

deferred basis as indicated in the context of this Plan, but, in any case, one shall be the Actuarial Equivalent of the other.

3.3.2 Notwithstanding Section 3.3.1, for Participants who were participating in the Liberty National Pension Plan on April 5, 1982, the monthly Retirement Benefit of any such Participant retiring after April 5, 1982, shall not be less than 1/12 of (a) or (b) below, whichever is greater, where:

(a) Is (i) plus (ii) less (iii), where:

(i) Applies only to Participants with less than 30 years of Credited Service on the anniversary of employment preceding April 5, 1982, and is 1/12 of 2% times the Final Average Compensation times the number of complete months of service for benefit accrual purposes from March 6, 1982, through the earlier of the 30th year of Credited Service or the date of termination of Employment;

(ii) Is 1/12 of 1% times the Final Average Compensation times the number of complete months of service for benefit accrual purposes from March 6, 1982, or from the 30th year of Credited Service, if later, through the earlier of the date of termination of Employment or the 40th year of Credited Service for benefit accrual purposes;

(iii) Applies only to Participants with less than 35 years of Credited Service on the anniversary of Employment immediately preceding April 5, 1982, and is the lesser of (x) 1/12 of the Social Security Offset Percentage times the Participant's Special Average Earnings times the number of complete months of service for benefit accrual purposes from March 6, 1982, through the earlier of the 35th year of Credited Service for benefit accrual purposes, or the date of termination of Employment or (y) 50% of the sum in the amounts in (a)(i) plus (a)(ii) but substituting Special Average Earnings for Final Average Compensation in those formulas.

(b) Is (i) plus (ii) less (iii), where:

(i) Is 1/12 of 2% times the Final Average Compensation times the number of complete months of service for benefit accrual purposes from April 5, 1982, through the earlier of April 4, 1987 or the date of termination of Employment;

(ii) Is 1/12 of 1.5% times the Final Average Compensation times the number of complete months of service for benefit accrual purposes from April 5, 1987, through the earlier of April 4, 1992 or the date of termination of Employment;

(iii) Is the amount calculated above in paragraph (a)(iii).

Any benefit provided under this Section shall be based solely on Credited Service for benefit accrual purposes for an Employer participating in the Liberty National Pension Plan or the Liberty National Non-Commissioned Plan prior to January 1, 2004.

3.3.3 The amount of Retirement Benefit calculated under this Section shall be subject to actuarial adjustment if it is payable in any other form of payment authorized by this Plan.

3.3.4 The Retirement Benefit of a Liberty National Commissioned Participant or a Liberty National Non-Commissioned Participant who terminated Employment or incurred a Disability prior to January 1, 2004 shall be determined in accordance with the provisions of, respectively, the

Liberty National Pension Plan or the Liberty National Non-Commissioned Pension Plan as in effect on the date of termination of Employment or Disability.

3.4 Limitation on Benefits

3.4.1 Notwithstanding any other provisions of the Plan, a Participant's Accrued Retirement Benefit shall not exceed the limitations of Code § 415 which are hereby incorporated by reference, except to the extent the limitations are specifically addressed below.

3.4.2 Effect on Participants. Benefit increases resulting from the increase in the limitations of Code § 415 will be provided to all Employees participating in the Plan who have one Hour of Service on or after the first day of the first limitation year ending after December 31, 2001.

3.4.3 415 Compensation paid after "Severance from Employment." 415 Compensation shall be adjusted, as set forth herein, for the following types of compensation paid after a Participant's "Severance from Employment" with the Employer maintaining the Plan (or any other entity that is treated as the Employer pursuant to Code § 414(b), (c), (m) or (o)). However, amounts described in Sections 3.4.3(a), (b) and (c) below may only be included in 415 Compensation to the extent such amounts are paid by the later of 2 1/2 months after "Severance from Employment" or by the end of the "Limitation Year" that includes the date of such "Severance from Employment." Any other payment of compensation paid after "Severance from Employment" that is not described in the following types of compensation is not considered 415 Compensation within the meaning of Code § 415(c)(3), even if payment is made within the time period specified above.

(a) Regular pay. 415 Compensation shall include regular pay after "Severance from Employment" if:

(1) The payment is regular compensation for services during the Participant's regular working hours, or compensation for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments; and

(2) The payment would have been paid to the Participant prior to a "Severance from Employment" if the Participant had continued in employment with the Employer.

(b) Leave cashouts. Leave cashouts shall not be included in 415 Compensation. Leave cashouts are amounts in payment for unused accrued bona fide sick, vacation, or other leave.

(c) Deferred Compensation. 415 Compensation will not include deferred compensation received pursuant to a nonqualified unfunded deferred compensation plan.

(d) Salary continuation payments for military service Participants. 415 Compensation does not include payments to an individual who does not currently perform services for the Employer by reason of qualified military service (as that term is used in Code § 414(u)(1)) to the extent those payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Employer rather than entering qualified military service.

(e) Salary continuation payments for disabled Participants. 415 Compensation does not include compensation paid to a Participant who is permanently and totally disabled (as defined in Code § 22(e)(3)).

3.4.4 Administrative delay ("the first few weeks") rule. 415 Compensation for a "Limitation Year" shall not include amounts earned but not paid during the "Limitation Year" solely because of the timing of pay periods and pay dates."

3.4.5 Inclusion of certain nonqualified deferred compensation amounts. If the Plan's definition of Compensation for purposes of Code § 415 is the definition in Regulation § 1.415(c)-2(b) and the simplified compensation definition of Regulation § 1.415(c) 2(d)(2) is not used, then 415 Compensation shall include amounts that are includible in the gross income of a Participant under the rules of Code § 409A or Code § 457(f)(1)(A) or because the amounts are constructively received by the Participant.

3.4.6 Back Pay. Payments awarded by an administrative agency or court or pursuant to a bona fide agreement by an Employer to compensate an Employee for lost wages are 415 Compensation for the "Limitation Year" to which the back pay relates, but only to the extent such payments represent wages and compensation that would otherwise be included in 415 Compensation under this Section 3.4.

3.4.7 "Annual Benefit." The "Annual Benefit" otherwise payable to a Participant under the Plan at any time shall not exceed the "Maximum Permissible Benefit." If the benefit the Participant would otherwise accrue in a "Limitation Year" would produce an "Annual Benefit" in excess of the "Maximum Permissible Benefit," then the benefit shall be limited (or the rate of accrual reduced) to a benefit that does not exceed the "Maximum Permissible Benefit."

3.4.8 Adjustment if in two Defined Benefit Plans. If the Participant is, or has ever been, a Participant in another qualified Defined Benefit Plan (without regard to whether the plan has been terminated) maintained by the Employer or a "Predecessor Employer," the sum of the Participant's "Annual Benefits" from all such plans may not exceed the "Maximum Permissible Benefit." Where the Participant's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the "Maximum Permissible Benefit" applicable at that age, the Employer shall limit a Participant's benefit in accordance with the terms of the Plans.

3.4.9 Grandfather of limits prior to January 1, 2008. The application of the provisions of this Section 3.4 shall not cause the "Maximum Permissible Benefit" for any Participant to be less than the Participant's accrued benefit under all the Defined Benefit Plans of the Employer or a "Predecessor Employer" as of December 31, 2007 under provisions of the plans that were both adopted and in effect before April 5, 2007. The preceding sentence applies only if the provisions of such Defined Benefit Plans that were both adopted and in effect before April 5, 2007, satisfied the applicable requirements of statutory provisions, Regulations, and other published guidance relating to Code § 415 in effect as of December 31, 2007, as described in Regulations § 1.415(a)-1(g)(4).

3.4.10 Other rules applicable. The limitations of Section 3.4.7 through 3.4.9 shall be determined and applied taking into account the rules in Section 3.4.12 hereof.

3.4.11 Definitions. For purposes of Sections 3.4.3 through 3.4.12, the following definitions apply.

(a) Annual Benefit. "Annual Benefit" means a benefit that is payable annually in the form of a "Straight Life Annuity." Except as provided below, where a benefit is payable in a form other than a "Straight Life Annuity," the benefit shall be adjusted to an actuarially equivalent "Straight Life Annuity" that begins at the same time as such other form of benefit and is payable on the first day of each month, before applying the limitations of Section 3.4. For a Participant who has or will have distributions commencing at more than one annuity starting date, the "Annual Benefit" shall be determined as of each such annuity starting date (and shall satisfy the limitations of Section 3.4 as of each such date), actuarially adjusting for past and future distributions of benefits commencing at the other annuity starting dates. For this purpose, the determination of whether a new annuity starting date has occurred shall be made without regard to Regulations § 1.401(a)-20, Q&A 10(d), and with regard to Regulations § 1.415(b)1(b)(1)(iii)(B) and (C).

No actuarial adjustment to the benefit shall be made for (i) survivor benefits payable to a Surviving Spouse under a Qualified Joint and Survivor Annuity to the extent such benefits would not be payable if the Participant's benefit were paid in another form; (ii) benefits that are not directly related to retirement benefits (such as a qualified Disability benefit, preretirement incidental death benefits, and postretirement medical benefits); or (iii) the inclusion in the form of benefit of an automatic benefit increase feature, provided the form of benefit is not subject to Code § 417(e)(3) and would otherwise satisfy the limitations of Section 3.4, and the Plan provides that the amount payable under the form of benefit in any "Limitation Year" shall not exceed the limits of Section 3.4 applicable at the annuity starting date, as increased in subsequent years pursuant to Code § 415(d). For this purpose, an automatic benefit increase feature is included in a form of benefit if the form of benefit provides for automatic, periodic increases to the benefits paid in that form.

The determination of the "Annual Benefit" shall take into account Social Security supplements described in Code § 411(a)(9) and benefits transferred from another defined benefit plan, other than transfers of distributable benefits pursuant Regulations § 1.411(d)-4, Q&A-3(c), but shall disregard benefits attributable to Employee contributions or rollover contributions.

The determination of actuarial equivalence of forms of benefit other than a "Straight Life Annuity" shall be made in accordance with (1) or (2) below.

(1) Benefit forms not subject to Code § 417(e)(3). The "Straight Life Annuity" that is actuarially equivalent to the Participant's form of benefit shall be determined under this Section 3.4.11(a)(1) if the form of the Participant's benefit is either (I) a nondecreasing annuity (other than a "Straight Life Annuity") payable for a period of not less than the life of the Participant (or, in the case of a Qualified Pre-Retirement Survivor Annuity, the life of the Surviving Spouse), or (II) an annuity that decreases during the life of the Participant merely because of (A) the death of the survivor annuitant (but only if the reduction is not below 50% of the benefit payable before the death of the survivor annuitant), or (B) the cessation or reduction of Social Security supplements or qualified disability payments (as defined in Code § 401(a)(11)). The actuarially equivalent "Straight Life Annuity" is equal to the greater of (C) the annual amount of the "Straight Life Annuity" (if any) payable to the Participant under the Plan commencing at the same annuity starting date as the Participant's form of benefit; and (D) the annual amount of the "Straight Life Annuity" commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using a 5% interest rate assumption and the applicable mortality table defined in the Plan for that annuity starting date.

(2) Benefit Forms Subject to Code § 417(e)(3). The "Straight Life Annuity" that is actuarially equivalent to the Participant's form of benefit shall be determined under this Section 3.4.11(a)(2) if the form of the Participant's benefit is other than a benefit form described in Section 3.4.11(a)(1) above. In this case, the actuarially equivalent "Straight Life Annuity" is equal to the greatest of (I) the annual amount of the "Straight Life Annuity" commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using the interest rate and mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form; (II) the annual amount of the "Straight Life Annuity" commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using a 5.5 percent interest rate assumption and the applicable mortality table defined in the Plan; and (III) the annual amount of the "Straight Life Annuity" commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using the applicable interest rate and applicable mortality table defined in the Plan, divided by 1.05.

(b) Defined Benefit Compensation Limitation. "Defined Benefit Compensation Limitation" means 100% of a Participant's "High Three-Year Average Compensation," payable in the form of a "Straight Life Annuity." In the case of a Participant who has had a "Severance from Employment" with the Employer, the "Defined Benefit Compensation Limitation" applicable to the Participant in any "Limitation Year" beginning after the date of severance shall be automatically adjusted by multiplying the limitation applicable to the Participant in the prior "Limitation Year" by the annual adjustment factor under Code § 415(d) that is published in the Internal Revenue Bulletin. The adjusted compensation limit shall apply to "Limitation Years" ending with or within the calendar year of the date of the adjustment, but a Participant's benefits shall not reflect the adjusted limit prior to January 1 of that calendar year.

In the case of a Participant who is rehired after a "Severance from Employment," the "Defined Benefit Compensation Limitation" is the greater of 100% of the Participant's "High Three-Year Average Compensation," as determined prior to the "Severance from Employment," as adjusted pursuant to the preceding paragraph, if applicable; or 100% of the Participant's "High Three-Year Average Compensation," as determined after the "Severance from Employment."

(c) Defined Benefit Dollar Limitation. "Defined Benefit Dollar Limitation" means \$160,000, automatically adjusted under Code § 415(d), effective January 1 of each year, as published in the Internal Revenue Bulletin, and payable in the form of a "Straight Life Annuity." The new limitation shall apply to "Limitation Years" ending with or within the calendar year of the date of the adjustment, but a Participant's benefits shall not reflect the adjusted limit prior to January 1 of that calendar year. The automatic annual adjustment of the "Defined Benefit Dollar Limitation" under Code 415(d) shall not apply to Participants who have had a "Severance from Employment."

(d) Employer. "Employer" means, for purposes of this Section 3.4, the Employer that has adopted the Plan, and all members of a controlled group of corporations (as defined in Code § 414(b), as modified by Code § 415(h)), all commonly controlled trades or businesses (as defined in Code § 414(c), as modified, except in the case of a brother-sister group of trades or businesses under common control, by Code § 415(h)), or affiliated service groups (as defined in Code § 414(m)) of which the adopting Employer is a part, and any other entity required to be aggregated with the Employer pursuant to Code § 414(o).

(e) Formerly Affiliated Plan of the Employer. "Formerly Affiliated Plan of the Employer" means a plan that, immediately prior to the cessation of affiliation, was actually maintained by the Employer and, immediately after the cessation of affiliation, is not actually maintained by the Employer. For this purpose, "cessation of affiliation" means the event that (i) causes an entity to no longer be considered the Employer, such as the sale of a member of a controlled group of corporations, as defined in Code § 414(b), as modified by Code § 415(h), to an unrelated corporation, or (ii) causes a plan to not actually be maintained by the Employer, such as transfer of plan sponsorship outside a controlled group.

(f) High Three-Year Average Compensation. "High Three-Year Average Compensation" means the average 415 Compensation for the three consecutive Years of Service (or, if the Participant has less than three consecutive Years of Service, the Participant's longest consecutive period of service, including fractions of years, but not less than one year) with the Employer that produces the highest average. A Participant's 415 Compensation for a Year of Service shall not include 415 Compensation in excess of the limitation under Code § 401(a)(17) that is in effect for the calendar year in which such Year of Service begins. For purposes of this definition, a Year of Service with the Employer is the 12-consecutive month period defined in the Plan which is used to determine 415 Compensation under the Plan.

In the case of a Participant who is rehired by the Employer after a "Severance from Employment," the Participant's "High Three-Year Average Compensation" shall be calculated by excluding all years for which the Participant performs no services for and receives no 415 Compensation from the Employer (the break period) and by treating the years immediately preceding and following the break period as consecutive.

(g) Limitation Year. "Limitation Year" means the Plan Year. The "Limitation Year" may only be changed by a Plan amendment. Furthermore, if the Plan is terminated effective as of a date other than the last day of the Plan's "Limitation Year," then the Plan is treated as if the Plan had been amended to change its "Limitation Year."

(h) Maximum Permissible Benefit. "Maximum Permissible Benefit" means the lesser of the "Defined Benefit Dollar Limitation" or the "Defined Benefit Compensation Limitation" (both adjusted where required, as provided below).

(i) Adjustment for Less Than 10 Years of Participation or Service. If the Participant has less than 10 years of participation in the Plan, the "Defined Benefit Dollar Limitation" shall be multiplied by a fraction — (1) the numerator of which is the number of "Years of Participation" in the Plan (or part thereof, but not less than one year), and (2) the denominator of which is 10. In the case of a Participant who has less than ten Years of Service with the Employer, the "Defined Benefit Compensation Limitation" shall be multiplied by a fraction — (3) the numerator of which is the number of "Years of Service" with the Employer (or part thereof, but not less than one year), and (4) the denominator of which is 10.

(ii) Adjustment of "Defined Benefit Dollar Limitation" for Benefit Commencement Before Age 62 or after Age 65. The "Defined Benefit Dollar Limitation" shall be adjusted if the annuity starting date of the Participant's benefit is before age 62 or after age 65. If the annuity starting date is before age 62, the "Defined Benefit Dollar Limitation" shall be adjusted under Section 3.4.11(h)(ii)(1), as modified by Section 3.4.11(h)(ii)(3). If the annuity starting date is after

age 65, the "Defined Benefit Dollar Limitation" shall be adjusted under Section 3.4.11(h)(ii)(2), as modified by Section 3.4.11(h)(ii)(3).

(1) Adjustment of "Defined Benefit Dollar Limitation" for Benefit Commencement Before Age 62:

(I) Plan Does Not Have Immediately Commencing "Straight Life Annuity" Payable at both Age 62 and the Age of Benefit Commencement. If the annuity starting date for the Participant's benefit is prior to age 62 and occurs in a "Limitation Year" beginning on or after January 1, 2008, and the Plan does not have an immediately commencing "Straight Life Annuity" payable at both age 62 and the age of benefit commencement, the "Defined Benefit Dollar Limitation" for the Participant's annuity starting date is the annual amount of a benefit payable in the form of a "Straight Life Annuity" commencing at the Participant's annuity starting date that is the actuarial equivalent of the "Defined Benefit Dollar Limitation" (adjusted under Section 3.4.11(h)(i) for years of participation less than 10, if required) with actuarial equivalence computed using a 5% interest rate assumption and the applicable mortality table for the annuity starting date as defined in the Plan (and expressing the Participant's age based on completed calendar months as of the annuity starting date).

(II) Plan Has Immediately Commencing "Straight Life Annuity" Payable at both Age 62 and the Age of Benefit Commencement. If the annuity starting date for the Participant's benefit is prior to age 62 and the Plan has an immediately commencing "Straight Life Annuity" payable at both age 62 and the age of benefit commencement, the "Defined Benefit Dollar Limitation" for the Participant's annuity starting date is the lesser of the limitation determined under Section 3.4.11(h)(ii)(1)(I) and the "Defined Benefit Dollar Limitation" (adjusted under Section 3.4.11(h)(i) for years of participation less than 10, if required) multiplied by the ratio of the annual amount of the immediately commencing "Straight Life Annuity" under the Plan at the Participant's Annuity Starting Date to the annual amount of the immediately commencing "Straight Life Annuity" under the Plan at age 62, both determined without applying the limitations of Section 3.4.

(2) Adjustment of "Defined Benefit Dollar Limitation" for Benefit Commencement After Age 65:

(I) Plan Does Not Have Immediately Commencing "Straight Life Annuity" Payable at both Age 65 and the Age of Benefit Commencement. If the annuity starting date for the Participant's benefit is after age 65 and the Plan does not have an immediately commencing "Straight Life Annuity" payable at both age 65 and the age of benefit commencement, the "Defined Benefit Dollar Limitation" at the Participant's annuity starting date is the annual amount of a benefit payable in the form of a "Straight Life Annuity" commencing at the Participant's annuity starting date that is the actuarial equivalent of the "Defined Benefit Dollar Limitation" (adjusted under Section 3.4.11(h)(i) for years of participation less than 10, if required), with actuarial equivalence computed using a 5% interest rate assumption and the applicable mortality table for that annuity starting date as defined in the Plan (and expressing the Participant's age based on completed calendar months as of the annuity starting date).

(II) Plan Has Immediately Commencing "Straight Life Annuity" Payable at both Age 65 and the Age of Benefit Commencement. If the annuity starting date for the Participant's benefit is after age 65 and the Plan has an immediately commencing "Straight Life Annuity" payable at both age 65 and the age of benefit commencement, the "Defined Benefit

Dollar Limitation" at the Participant's annuity starting date is the lesser of the limitation determined under Section 3.4.11(h)(ii)(2)(I) and the "Defined Benefit Dollar Limitation" (adjusted under Section 3.4.11(h)(i) for years of participation less than 10, if required) multiplied by the ratio of the annual amount of the adjusted immediately commencing "Straight Life Annuity" under the Plan at the Participant's annuity starting date to the annual amount of the adjusted immediately commencing "Straight Life Annuity" under the Plan at age 65, both determined without applying the limitations of this Section 3.4. For this purpose, the adjusted immediately commencing "Straight Life Annuity" under the Plan at the Participant's annuity starting date is the annual amount of such annuity payable to the Participant, computed disregarding the Participant's accruals after age 65 but including actuarial adjustments even if those actuarial adjustments are used to offset accruals; and the adjusted immediately commencing "Straight Life Annuity" under the Plan at age 65 is the annual amount of such annuity that would be payable under the Plan to a hypothetical Participant who is age 65 and has the same accrued benefit as the Participant.

(3) Notwithstanding the other requirements of this Section 3.4.11(h)(ii), in adjusting the "Defined Benefit Dollar Limitation" for the Participant's annuity starting date except for Sections 3.4.11(h)(ii)(1)(I) or 3.4.11(h)(ii)(3)(I), no adjustment shall be made to reflect the probability of a Participant's death between the annuity starting date and age 62, or between age 65 and the annuity starting date, as applicable, if benefits are not forfeited upon the death of the Participant prior to the annuity starting date. To the extent benefits are forfeited upon death before the annuity starting date, such an adjustment shall be made. For this purpose, no forfeiture shall be treated as occurring upon the Participant's death if the Plan does not charge Participants for providing a qualified pre-retirement survivor annuity, as defined in Code § 417(c), upon the Participant's death.

(iii) Minimum benefit permitted. Notwithstanding anything else in this Section to the contrary, the benefit otherwise accrued or payable to a Participant under this Plan shall be deemed not to exceed the "Maximum Permissible Benefit" if:

(1) The retirement benefits payable for a "Limitation Year" under any form of benefit with respect to such Participant under this Plan and under all other defined benefit plans (without regard to whether a plan has been terminated) ever maintained by the Employer do not exceed \$10,000 multiplied by a fraction — (I) the numerator of which is the Participant's number of Years (or part thereof, but not less than one year) of Service (not to exceed 10) with the Employer, and (II) the denominator of which is 10; and

(2) The Employer (or a "Predecessor Employer") has not at any time maintained a defined contribution plan in which the Participant participated (for this purpose, mandatory Employee contributions under a Defined Benefit Plan, individual medical accounts under Code § 401(h), and accounts for post-retirement medical benefits established under Code § 419A(d)(1) are not considered a separate defined contribution plan).

(i) Predecessor Employer. "Predecessor Employer" means, with respect to a Participant, a former employer of such Participant if the Employer maintains a Plan that provides a benefit which the Participant accrued while performing services for the former employer. A former entity that antedates the Employer is also a "Predecessor Employer" with respect to a Participant if, under the facts and circumstances, the Employer constitutes a continuation of all or a portion of the trade or business of the former entity. For this purpose, the formerly affiliated plan rules in Regulations § 1.415(f) 1(b)(2) apply as if the Employer and "Predecessor Employer" constituted a single employer under the rules described in Regulations § 1.415(a) 1(f)(1) and (2) immediately prior to the cessation

of affiliation (and as if they constituted two, unrelated employers under the rules described in Regulations § 1.415(a) l(f)(1) and (2) immediately after the cessation of affiliation) and cessation of affiliation was the event that gives rise to the "Predecessor Employer" relationship, such as a transfer of benefits or plan sponsorship.

(j) Severance from Employment. "Severance from Employment" means, with respect to any individual, cessation from being an Employee of the Employer maintaining the Plan. An Employee does not have a "Severance from Employment" if, in connection with a change of employment, the Employee's new employer maintains the Plan with respect to the Employee.

(k) Straight Life Annuity. "Straight Life Annuity" means an annuity payable in equal installments for the life of a Participant that terminates upon the Participant's death.

(1) Year of Participation. "Year of Participation" means, with respect to a Participant, each accrual computation period (computed to fractional parts of a year) for which the following conditions are met: (i) the Participant is credited with at least the number of Hours of Service for benefit accrual purposes, required under the terms of the Plan in order to accrue a benefit for the accrual computation period, and (ii) the Participant is included as a Participant under the eligibility provisions of the Plan for at least one day of the accrual computation period. If these two conditions are met, the portion of a "Year of Participation" credited to the Participant shall equal the amount of benefit accrual service credited to the Participant for such accrual computation period. A Participant who is permanently and totally disabled within the meaning of Code § 415(c)(3)(C)(i) for an accrual computation period shall receive a "Year of Participation" with respect to that period.

In addition, for a Participant to receive a "Year of Participation" (or part thereof) for an accrual computation period, the Plan must be established no later than the last day of such accrual computation period. In no event shall more than one "Year of Participation" be credited for any 12-month period.

(m) Year of Service. "Year of Service" means, for purposes of Section 3.4.11(f), each accrual computation period (computed to fractional parts of a year) for which a Participant is credited with at least the number of Hours of Service for benefit accrual purposes, required under the terms of the Plan in order to accrue a benefit for the accrual computation period, taking into account only service with the Employer or a "Predecessor Employer."

3.4.12 Other rules.

(a) Benefits under terminated plans. If a defined benefit plan maintained by the Employer has terminated with sufficient assets for the payment of benefit liabilities of all Participants and a Participant in the Plan has not yet commenced benefits under the Plan, the benefits provided pursuant to the annuities purchased to provide the Participant's benefits under the terminated Plan at each possible annuity starting date shall be taken into account in applying the limitations of Section 3.4. If there are not sufficient assets for the payment of all Participants' benefit liabilities, the benefits taken into account shall be the benefits that are actually provided to the Participant under the terminated Plan.

(b) Benefits transferred from the Plan. If a Participant's benefits under a Defined Benefit Plan maintained by the Employer are transferred to another Defined Benefit Plan maintained by the Employer and the transfer is not a transfer of distributable benefits pursuant

Regulations § 1.411(d)-4, Q&A-3(c), then the transferred benefits are not treated as being provided under the transferor plan (but are taken into account as benefits provided under the transferee plan). If a Participant's benefits under a Defined Benefit Plan maintained by the Employer are transferred to another defined benefit plan that is not maintained by the Employer and the transfer is not a transfer of distributable benefits pursuant to Regulations § 1.411(d)-4, Q&A-3(c), then the transferred benefits are treated by the Employer's Plan as if such benefits were provided under annuities purchased to provide benefits under a plan maintained by the Employer that terminated immediately prior to the transfer with sufficient assets to pay all Participants' benefit liabilities under the plan. If a Participant's benefits under a Defined Benefit Plan maintained by the Employer are transferred to another defined benefit plan in a transfer of distributable benefits pursuant to Regulations § 1.411(d)-4, Q&A-3 (c), the amount transferred is treated as a benefit paid from the transferor plan.

(c) Formerly affiliated plans of the Employer. A "Formerly Affiliated Plan of an Employer" shall be treated as a plan maintained by the Employer, but the formerly affiliated plan shall be treated as if it had terminated immediately prior to the cessation of affiliation with sufficient assets to pay Participants' benefit liabilities under the Plan and had purchased annuities to provide benefits.

(d) Plans of a "Predecessor Employer." If the Employer maintains a Defined Benefit Plan that provides benefits accrued by a Participant while performing services for a "Predecessor Employer," then the Participant's benefits under a plan maintained by the "Predecessor Employer" shall be treated as provided under a plan maintained by the Employer. However, for this purpose, the plan of the "Predecessor Employer" shall be treated as if it had terminated immediately prior to the event giving rise to the "Predecessor Employer" relationship with sufficient assets to pay Participants' benefit liabilities under the plan, and had purchased annuities to provide benefits; the Employer and the "Predecessor Employer" shall be treated as if they were a single employer immediately prior to such event and as unrelated employers immediately after the event; and if the event giving rise to the predecessor relationship is a benefit transfer, the transferred benefits shall be excluded in determining the benefits provided under the plan of the "Predecessor Employer."

(e) Special rules. The limitations of Section 3.4 shall be determined and applied taking into account the rules in Regulations § 1.415(0-1(d), (e) and (h).

(f) Aggregation with Multiemployer Plans.

(i) If the Employer maintains a multiemployer plan, as defined in Code § 414(0), and the multiemployer plan so provides, only the benefits under the multiemployer plan that are provided by the Employer shall be treated as benefits provided under a plan maintained by the Employer for purposes of Section 3.4.

(ii) A multiemployer plan shall be disregarded for purposes of applying the compensation limitation of Sections 3.4.11(b) and 3.4.11 (h)(i) to a plan which is not a multiemployer plan.

ARTICLE IV VESTING PROVISIONS

4.1 Determination of Vesting

In the case of a Participant who performs at least one Hour of Service on or after January 1, 1989, he shall have a vested percentage of 100% in his Retirement Benefit upon: (i) termination of Employment due to death or Disability or upon or after attaining Normal Retirement Age; or (ii) completion of five years of Vesting Service.

4.2 Rules for Crediting Vesting Service

4.2.1 Subject to Sections 4.2.2 through 4.2.4 below, a Participant's Vesting Service shall mean the sum of a Participant's Years of Service under the Plan, except for Years of Service before the Participant attained age 18 (or age 22 in the case of Participants who do not complete at least one Hour of Service on or after January 1, 1985).

4.2.2 If an Employee is on an authorized unpaid leave of absence granted by his Employer in accordance with standard personnel policies of such Employer applied in a non-discriminatory manner to all Employees similarly situated, his period of absence shall not be considered a Break in Service and shall be counted as Vesting Service upon his return to active Employment.

4.2.3 If an Employee is on an authorized military leave while his reemployment rights are protected by law and provided that he directly entered military service from his Employer's service and shall not have voluntarily reenlisted after the date of first entering active military service, his period of absence shall not be considered a Break in Service and shall be counted as Vesting Service upon his return to active Employment.

4.2.4 An Employee who terminates Employment with no vested percentage in his Retirement Benefit shall, if he returns to Employment, have no credit for Vesting Service prior to such termination of Employment if (i) for years prior to January 1, 1985, the total of his consecutive One Year Breaks in Service immediately preceding his reemployment exceed his aggregate years of Vesting Service (whether or not consecutive, but excluding Vesting Service previously disregarded under this rule) prior to such termination; or (ii) for years on or after January 1, 1985, the total of his consecutive One Year Breaks in Service immediately preceding his reemployment exceed the greater of five years or his aggregate years of Vesting Service (whether or not consecutive, but excluding Vesting Service previously disregarded under this rule) prior to the termination. A Participant who had a Vested Separation and returns to Employment will retain credit for his prior years of Vesting Service.

4.3 Retirement Benefit Forfeitures

The unvested portion of the Retirement Benefit of a Participant who has terminated Employment shall be forfeited as of the earliest date on which such Participant's Vesting Service may be disregarded pursuant to Section 4.2.4. Any forfeitures shall be applied to reduce the Employer actuarial liability under the Plan.

4.4 TMK Hogan

A Participant who terminated employment with the Company on December 31, 1996, and who became as of January 1, 1997, an employee of TMK Hogan, became fully vested in his or her Retirement Benefit as of such date.

4.5 Vesta Insurance Group, Inc.

A Liberty National Non-Commissioned Participant who terminated Employment with Liberty National Life Insurance Company on November 12, 1993, and who became as of that same date an employee of Vesta Insurance Group, Inc., became fully vested in his Retirement Benefit as of such date.

ARTICLE V
AMOUNT AND COMMENCEMENT OF RETIREMENT BENEFITS

5.1 Determination of Amount of Retirement Benefits

5.1.1 Normal Retirement Benefits. A Participant's benefits upon Normal Retirement shall be equal to his Retirement Benefit as of his Normal Retirement Date. The Participant's Benefit Commencement Date shall be the last day of the payroll period coincident with or next following his termination of Employment. The Participant shall not be entitled to any benefits under Section 5.1.1 unless he shall survive until his Benefit Commencement Date.

5.1.2 Deferred Retirement Benefits. A Participant's benefits upon Deferred Retirement shall be equal to his Retirement Benefit determined as of the date of Deferred Retirement (without actuarial increase for deferred commencement). The Participant's Benefit Commencement Date shall be the last day of the payroll period coincident with or next following his termination of Employment. The Participant shall not be entitled to any benefits under this Paragraph unless he shall survive until his Benefit Commencement Date.

5.1.3 Early Retirement Benefits. A Participant's benefits upon Early Retirement shall be equal to his Retirement Benefit calculated as of the date of Early Retirement. The Participant's Benefit Commencement Date shall be his Normal Retirement Date; however if he so elects, the Benefit Commencement Date shall be the last day of the payroll period coincident with or next following his Early Retirement, or the last day of any payroll period thereafter which is prior to his Normal Retirement Date. If the Participant elects a Benefit Commencement Date preceding his Normal Retirement Date, his benefit shall equal his Accrued Retirement Benefit multiplied by the early retirement factor shown below:

Years by Which the Date of the Participant's First Benefit Payment Precedes His Normal Retirement Date	Early Retirement Factor to Be Applied to Accrued
(Interpolate for Months)	
10	.500
9	.533
8	.567
7	.600
6	.633
5	.667
4	.733
3	.800
2	.867
1	.933
0	1.000

A Participant shall not be entitled to any benefits under this Section 5.13 unless he shall survive until his Benefit Commencement Date.

5.1.4 Vested Separation Benefits. A Participant's benefits upon Vested Separation shall be equal to his Retirement Benefit calculated as of the date of Vested Separation multiplied by his vesting percentage. The Participant's Benefit Commencement Date shall be his Normal Retirement Date; provided, however, that, such a Participant may elect to commence receiving his benefits on or after the earliest date that he could have been eligible for Early Retirement. If the Participant elects a Benefit Commencement Date preceding his Normal Retirement Date, his benefit shall equal his Accrued Retirement Benefit multiplied by the appropriate early retirement factor shown in Section 5.1.3. A Participant shall not be entitled to any benefits under this Section 5.1.4 unless he shall survive until his Benefit Commencement Date.

5.1.5 Non-Vested Separation. A Participant shall not be entitled to any Retirement Benefit upon his Non-Vested Separation. In addition, if a Participant who is zero percent vested in his Accrued Retirement Benefit terminates Employment, he shall be deemed to have received a distribution of his Accrued Retirement Benefit.

5.2 Suspension of Payments

5.2.1 If an Employee continues in Employment after his Normal Retirement Date or if a former Employee is receiving monthly payment of his Retirement Benefit, payment of his Retirement Benefit shall be suspended for each calendar month during which such Employee or former Employee continues in (or resumes) Employment and performs more than 40 Hours of Service per calendar month considered as service under ERISA § 203(a)(3)(B).

5.2.2 No payment shall be withheld by the Plan pursuant to Section 5.2 unless the Plan notifies the Employee by personal delivery or first class mail during the first calendar month or payroll period in which the Plan withholds payments that his benefits are suspended. Such notifications shall contain a description of the specific reasons why benefit payments are being suspended, a description of the Plan provision relating to the suspension of payments, a copy of such provisions, and a statement to the effect that applicable Department of Labor regulations may be found in Title 29 of the Code of Federal Regulations § 2530.203-3. In addition, the notice shall inform the Employee of the Plan's procedures for affording a review of the suspension of benefits. Requests for such reviews shall be considered in accordance with the claims procedure adopted by the Administrator.

5.2.3 If benefit payments have been suspended, payments shall resume no later than the first day of the third calendar month after the calendar month in which the Employee ceases to be employed in ERISA § 203(a)(3)(B) service. The initial payment upon resumption shall include the payment scheduled to occur in the calendar month when payments resume and any amounts withheld during the period between the cessation of ERISA § 203(a)(3)(B) service and the resumption of payments.

5.2.4 The Retirement Benefit payable upon resumption of benefit payment shall be equal to the Participant's Retirement Benefit as of the date of his subsequent termination of Employment reduced by the Actuarial Equivalent of payments previously made to him; provided, however, that such Retirement Benefit may not be less than the Retirement Benefit previously payable.

5.3 Limitation on Commencement of Benefits

5.3.1 Unless otherwise elected by a Participant, the Participant's Benefit Commencement Date shall in no event be later than the 60th day after the close of the Plan Year in which the latest of the following events occurs:

- (a) The attainment by the Participant of his Normal Retirement Age;
- (b) The tenth anniversary of the year in which the Participant commenced participation in the Plan; or
- (c) The Participant's termination of Employment.

5.3.2 If the amount of benefits payable cannot be determined within such 60-day period, or if it is not possible to pay such benefits within such period because the Administrator has been unable to locate the Participant after making reasonable efforts to do so, then a payment, retroactive to such 60th day, shall be made no later than 60 days after the earliest date on which the amount of such benefits can be determined or the Participant can be located, as the case may be.

5.3.3 Any other provision of this Article V to the contrary notwithstanding, the Benefit Commencement Date of a Participant must be no later than the first day of April following the calendar year in which the Participant attains age 70^{1/2} even if he continues in Employment after that date. Notwithstanding the foregoing, if a Participant who is not a "five % owner" (as defined in Code § 401(a)(9)) attained age 70^{1/2} before January 1, 1988, the Benefit Commencement Date must be no later than the first day of April following the calendar year in which the Participant terminates Employment. Effective as of January 1, 1997, in the case of a Participant who is not a five % owner (as defined above) with respect to the Plan Year ending in the calendar year in which the Participant attains age 70^{1/2}, the Benefit Commencement Date must be no later than the later of (i) the calendar year during which the Participant attained age 70^{1/2}, or (ii) the calendar year in which the Participant retired.

Transitional rule for the 1997, 1998, 1999, 2000 and 2001 Plan Years: If a Participant attains age 70^{1/2} during the 1997, 1998 or 1999 Plan Years and wishes to receive (or begin receiving) the required minimum distribution that would have been payable to him but for the Small Business Job Protection Act of 1996 changes to the immediately preceding paragraph, the Participant may elect, pursuant to a procedure established by the Administrator, to begin receiving his required minimum distributions prior to his retirement. If a Participant who has not retired (other than a five % owner) attains age 70^{1/2} on or after January 1, 2002, the Participant may not begin to receive in-service distributions on account of his attainment of age 70^{1/2}.

If a Participant retires in a calendar year after the calendar year in which the Participant attains age 70^{1/2}, his or her benefits under the Plan shall be actuarially increased (with any permitted offsets or reductions) as provided for in Internal Revenue Service Notice 97-75 or such other written guidance published by the Internal Revenue Service.

5.4 Minimum Distribution Requirements.

5.4.1 Precedence. Subject to Section 6.1.1, the requirements of this Section shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions of this plan.

5.4.2 Requirements of Regulations Incorporated. All distributions required under this Section shall be determined and made in accordance with Code § 401(a)(9), including the incidental death benefit requirement in Code §401(a)(9)(G), and the Income Tax Regulations thereunder.

5.4.3 Limits on Distribution Periods. As of the first distribution calendar year, distributions to a participant, if not made in a single sum, may only be made over one of the following periods:

- (a) the life of the participant,
- (b) the joint lives of the participant and a designated beneficiary,
- (c) a period certain not extending beyond the life expectancy of the participant, or
- (d) a period certain not extending beyond the joint life and last survivor expectancy of the participant and a designated beneficiary.

5.4.4 Required Beginning Date. The participant's entire interest will be distributed, or begin to be distributed, no later than the participant's required beginning date.

5.4.5 Death of Participant Before Distributions Begin. If the participant dies before distributions begin, the participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(a) If the participant's surviving spouse is the participant's sole designated beneficiary, then, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the participant died, or by December 31 of the calendar year in which the participant would have attained age 70½, if later.

(b) If the participant's surviving spouse is not the participant's sole designated beneficiary, then, except as provided in the adoption agreement, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the participant died.

(c) If there is no designated beneficiary as of September 30 of the year following the year of the participant's death, the participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(d) If the participant's surviving spouse is the participant's sole designated beneficiary and the surviving spouse dies after the participant but before distributions to the surviving

spouse are required to begin, this Section, other than Subsection (a), will apply as if the surviving spouse were the participant.

(e) If the Participant dies before distributions begin and there is a designated Beneficiary, distribution to the designated Beneficiary is not required to begin by the date covered by this Section 5.4.5, but the Participant's entire interest will be distributed to the designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death. If the Participant's Surviving Spouse is the Participant's sole designated Beneficiary and the Surviving Spouse dies after the Participant but before distributions to either the Participant or the Surviving Spouse begin, this election will apply as if the Surviving Spouse were the Participant. This Section 5.4.5(e) shall apply to all distributions.

For purposes of this Section 5.4.5 and Sections 5.4.12, 5.4.13 and 5.4.14, distributions are considered to begin on the Participant's required beginning date (or, if Section 5.4.5(d) applies, the date distributions are required to begin to the Surviving Spouse under Section 5.4.5(a)). If annuity payments irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's Surviving Spouse before the date distributions are required to begin to the Surviving Spouse under Section 5.4.5(a)), the date distributions are considered to begin is the date distributions actually commence.

5.4.6 Form of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Sections 5.4.7 through 5.4.14. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code § 401(a)(9) and the Regulations. Any part of the Participant's interest which is in the form of an individual account described in Code § 414(k) will be distributed in a manner satisfying the requirements of Code § 401(a)(9) and the Regulations that apply to individual accounts.

5.4.7 General Annuity Requirements. If the Participant's interest is paid in the form of annuity distributions under the Plan, payments under the annuity will satisfy the following requirements:

(a) The annuity distributions will be paid in periodic payments made at intervals not longer than one year;

(b) The distribution period will be over a life (or lives) or over a period certain not longer than the period described in Sections 5.4.10 and 5.4.11 or Sections 5.4.12 through 5.4.14.

(c) Once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted;

(d) Payments will either be nonincreasing or increase only as follows:

(i) By an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics;

(ii) To the extent of the reduction in the amount of the Participant's payments to provide for a survivor benefit upon death, but only if the Beneficiary whose life was being used to determine the distribution period described in Section 5.4.10 or 5.4.11 dies or is no longer the Participant's Beneficiary pursuant to a qualified domestic relations order within the meaning of Code § 414(p);

(iii) To provide cash refunds of employee contributions upon the Participant's death; or

(iv) To pay increased benefits that result from a Plan amendment.

5.4.8 Amount Required to be Distributed by Required Beginning Date. The amount that must be distributed on or before the Participant's required beginning date (or, if the Participant dies before distributions begin, the date distributions are required to begin under Section 5.4.5(a) or 5.4.5(b)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Participant's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Participant's required beginning date.

5.4.9 Additional Accruals After First Distribution Calendar Year. Any additional benefits accruing to the Participant in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

5.4.10 Joint Life Annuities Where the Beneficiary Is Not the Participant's Spouse. If the Participant's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Participant and a non-Spouse Beneficiary, annuity payments to be made on or after the Participant's required beginning date to the designated Beneficiary after the Participant's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the Participant using the table set forth in Q&A-2 of § 1.401(a)(9)-6T of the Treasury Regulations. If the form of distribution combines a joint and survivor annuity for the joint lives of the Participant and a non-Spouse Beneficiary and a period certain annuity, the requirement in the preceding sentence will apply to annuity payments to be made to the designated Beneficiary after the expiration of the period certain.

5.4.11 Period Certain Annuities. Unless the Participant's spouse is the sole designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Participant's lifetime may not exceed the applicable distribution period for the Participant under the Uniform Lifetime Table set forth in Regulation § 1.401(a)(9)-9 for the calendar year that contains the annuity starting date. If the annuity starting date precedes the year in which the Participant reaches age 70, the applicable distribution period for the Participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in Regulation § 1.401(a)(9)-9 plus the excess of 70 over the age of the Participant as of the Participant's birthday in the year that contains the annuity starting date. If the Participant's Spouse is the Participant's sole designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Participant's applicable distribution period, as determined under this Section 5.4.11, or the joint life and last survivor expectancy of the Participant

and the Participant's Spouse as determined under the Joint and Last Survivor Table set forth in Regulation § 1.401(a)(9)-9, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the calendar year that contains the annuity starting date.

5.4.12 Participant Survived by Designated Beneficiary. If the Participant dies before the date distribution of his or her interest begins and there is a designated Beneficiary, the Participant's entire interest will be distributed, beginning no later than the time described in Section 5.4.5(a) or 5.4.5(b), over the life of the designated Beneficiary or over a period certain not exceeding:

(a) Unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year immediately following the calendar year of the Participant's death; or

(b) If the annuity starting date is before the first distribution calendar year, the life expectancy of the designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year that contains the annuity starting date.

5.4.13 No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

5.4.14 Death of Surviving Spouse Before Distributions to Surviving Spouse Begin. If the Participant dies before the date distribution of his or her interest begins, the Participant's Surviving Spouse is the Participant's sole designated Beneficiary, and the Surviving Spouse dies before distributions to the Surviving Spouse begin, Sections 5.4.12 through 5.4.14 will apply as if the Surviving Spouse were the Participant, except that the time by which distributions must begin will be determined without regard to Section 5.4.5(a).

5.4.15 Designated Beneficiary. The individual who is designated as the Beneficiary under Section 7.4 of the Plan and is the "designated beneficiary" under Code § 401(a)(9) and Regulation § 1.401(a)(9)-1, Q&A-4.

5.4.16 Distribution Calendar Year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 5.4.5.

5.4.17 Life expectancy. Life expectancy as computed by use of the Single Life Table in Regulation § 1.401(a)(9)-9.

5.4.18 Required beginning date. The date specified in Section 5.3.3 of the Plan.

ARTICLE VI
FORMS OF PAYMENT OF RETIREMENT BENEFIT

6.1 Methods of Distribution

6.1.1 A Participant's benefits shall be payable in the normal form of a Qualified Joint and Survivor Annuity if the Participant is married on his Benefit Commencement Date and in the normal form of an annuity for the life of the Participant with Actuarially Equivalent payments guaranteed for 120 months if the Participant is not married on that date, provided that, and subject to Sections 6.1.2, 6.1.3 and 6.1.4, a Participant may within the 90-day period prior to the Benefit Commencement Date elect, in accordance with Section 6.2, any of the following optional forms of benefit payment instead of the normal form:

(a) A Single Life Annuity, under which monthly payments calculated in accordance with Section 3.1.1 are made to the Participant during his lifetime with no further payments from the Plan on his behalf after his death.

(b) A Joint and 50%, 66 ²/₃%, 75% or 100% Survivor Annuity, under which Actuarially Equivalent monthly payments are made to the Participant for the joint lives of the Participant and his Beneficiary with payments continuing for the life of the survivor in an amount equal to 50%, 66 %, 75% or 100% of the joint life payments (whichever is elected by the Participant). A Participant may elect to add a period certain of 10 years in which event no reduction in payments will be made for the longer of the 10 year period or the period during which both the Participant and Beneficiary remain alive.

(c) A 120 Months Certain and Life Income Annuity, an optional form of payment for a married Participant, under which reduced Actuarially Equivalent payments are made to the Participant during the Participant's lifetime, with the provision that if the Participant's death occurs before he had received 120 monthly payments the value of the remaining number of such payments shall be paid to his Beneficiary.

(d) Lump Sum, under which the Actuarially Equivalent value of the Participant's Accrued Retirement Benefit as of December 31, 2003 is paid in one single sum. This optional form of benefit shall be eliminated with respect to benefits accruing under the Plan after December 31, 2003 and a lump sum option shall not be available to an Employee who becomes a Participant on or after January 1, 2004. Notwithstanding the preceding sentence, if the implementation of an election of a single sum distribution of a pre-2004 Retirement Benefit would result in monthly payments of the Participant's Retirement Benefit accrued after 2003 of an amount less than \$100, the present value of the portion of the Participant's Retirement Benefit that accrued after 2003 shall also be paid in the form of a single sum.

6.1.2 Anything in Section 6.1.1 to the contrary notwithstanding, if the Actuarial Equivalent value of a Participant's Retirement Benefit is \$1,000 or less, his benefit shall be paid in the form of a lump sum distribution and no optional form of benefit payment shall be available.

6.1.3 Payment in any form may only be made over one of the following periods (or a combination thereof):

(a) The life of the Participant;

- (b) The life of the Participant and a designated Beneficiary;
- (c) A period certain not extending beyond the life expectancy of the Participant; or
- (d) A period certain not extending beyond the joint and last survivor expectancy of the Participant and a designated Beneficiary.

6.1.4 If the Participant's Spouse is not his designated Beneficiary, the method of distribution must assure that at least 50% of the present value of the Participant's Retirement Benefit is paid within the life expectancy of the Participant.

6.2 Election of Optional Forms

6.2.1 By notice to the Administrator within the 180-day period prior to a Participant's Benefit Commencement Date, the Participant may elect, in writing and subject to the spousal consent rules as set forth in Section 6.2.4, not to receive the normal form of benefit payment otherwise applicable and to receive instead an optional form of benefit payment provided for in Section 6.1.1.

6.2.2 Within a reasonable period, but in no event later than 30 days before nor earlier than 180 days (unless the Participant elects to waive the 30 day limitation in favor of a seven day limitation as permitted under Code § 417(a)(7)(B)) before a Participant's Benefit Commencement Date, the Administrator shall provide to each Participant a written explanation of:

- (a) The terms and conditions of the Participant's normal form of benefit payment;
- (b) The Participant's right to make, and the effect of, an election to waive the normal form of benefit payment;
- (c) The rights of the Participant's Spouse under Section 6.2.4;
- (d) The right to make, and the effect of, a revocation of a previous election to waive the normal form of benefit payment; and
- (e) The relative values of the various optional forms of benefit payment.

The Administrator may, on a uniform and nondiscriminatory basis, provide for such other notices, information or election periods or take such other action as the Administrator considers necessary or appropriate in order to comply with Code §§ 401(a)(11) and 417.

6.2.3 A Participant may revoke his election to take an optional form of benefit at any time prior to the Participant's Benefit Commencement Date, without the consent of his Spouse.

6.2.4 The election of an optional form of benefit by a married Participant must be in the form of a waiver of a Qualified Joint and Survivor Annuity. The election must be in writing and consented to by the Participant's Spouse. The Spouse's consent to the waiver must specify the form of benefit being elected and the non-Spouse Beneficiary, if any, and must be witnessed by the Administrator or a notary public. Notwithstanding this consent requirement, if the Participant establishes to the satisfaction of the Administrator that such written consent may not be obtained

because there is no Spouse or the Spouse cannot be located, the Participant's election will be deemed effective. Any consent necessary under this provision will be valid only with respect to the Spouse who signs the consent, or in the event of a deemed effective election, the designated Spouse.

6.2.5 The election of an optional form of benefit which contemplates the payment of an annuity shall not be given effect if any person who would receive benefits under the annuity dies before the Benefit Commencement Date.

6.3 Direct Rollovers

6.3.1 A Participant or Spouse may elect to have all or a portion of any amount payable to him or her from the Plan which is an "eligible rollover distribution" (as defined in Section 6.3.2 below) transferred directly to an "eligible retirement plan" (as defined in Section 6.3.2 below). Any such election shall be made in accordance with such uniform rules and procedures as the Administrator may prescribe from time to time as to the timing and manner of the election in accordance with Code § 401(a)(31).

6.3.2 For purposes of this Section and Section 7.2.4:

(a) "Eligible rollover distribution" shall mean any distribution of all or any portion of the balance to the credit of the distributee other than: (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary; (ii) any distribution for a specified period of 10 years or more; (iii) any distribution to the extent such distribution is required under Code § 401(a)(9); (iv) the portion of any distribution that is not includable in gross income; or (v) any hardship distribution described in § 401(k)(2)(B)(i)(iv) received after December 31, 1998.

(b) "Eligible retirement plan" shall mean an individual retirement account or annuity described in Code § 408(a) or 408(b) ("IRA"); a Roth IRA described in Code § 408A(b); an annuity plan described in Code § 403(a); an annuity contract described in Code § 403(b); an eligible plan under Code § 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan; or a qualified plan described in Code § 401(a), that accepts the distributee's eligible rollover distribution. The definition of eligible retirement plan shall also apply in the case of a distribution to a Surviving Spouse, or to a Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Code § 414(p).

6.3.3 Direct rollover to qualified plan/403(b) plan. Section 6.3.2(a)(4) notwithstanding, for taxable years beginning after December 31, 2006, a Participant or Spouse may elect to transfer non-taxable or employee after-tax contributions by means of a direct rollover to a qualified plan or to a 403(b) plan that agrees to account separately for amounts so transferred (including interest thereon), including accounting separately for the portion of such distribution which is includible in gross income and the portion of such distribution which is not includible in gross income.

6.3.4 Non-Spouse Beneficiary rollover right. A non-Spouse Beneficiary who is a "designated beneficiary" under Code § 401(a)(9)(E) and the Regulations thereunder, by a direct trustee-to-trustee transfer ("direct rollover"), may roll over all or any portion of his or her distribution to an Individual Retirement Account (IRA) the Beneficiary establishes for purposes of receiving the

distribution. In order to be able to roll over the distribution, the distribution otherwise must satisfy the definition of an "eligible rollover distribution" under Code § 401(a) (31). If the Participant's named Beneficiary is a trust, the Plan may make a direct rollover to an IRA on behalf of the trust, provided the trust satisfies the requirements to be a "designated beneficiary" within the meaning of Code § 401(a)(9)(E).

If a non-Spouse Beneficiary receives a distribution from the Plan, the distribution is not eligible for a 60-day (non-direct) rollover. A non-Spouse Beneficiary may not roll over an amount that is a required minimum distribution, as determined under applicable Treasury Regulations and other Internal Revenue Service guidance. If the Participant dies before his or her required beginning date and the non-Spouse Beneficiary rolls over to an IRA the maximum amount eligible for rollover, the Beneficiary may elect to use either the five-year rule or the life expectancy rule, pursuant to Treasury Regulations § 1.401(a)(9)-3, A-4(c), in determining the required minimum distributions from the IRA that receives the non-Spouse Beneficiary's distribution.

6.4 Notices

(a) Any reference to the 90-day maximum notice period requirements of Code §§ 402(f) (the rollover notice), 411(a)(11) (Participant's consent to distribution), and 417 (notice regarding the joint and survivor annuity rules) is changed to 180 days.

(b) Notices given to Participants pursuant to Code § 411(a)(11) shall include a description of how much larger benefits will be if the commencement of distributions is deferred.

(c) Notices to Participants shall include the relative values of the various optional forms of benefit, if any, under the Plan as provided in Regulation § 1.417(a)-3.

(d) Any notice to Participants or election by Participants that the Plan requires to be made in writing, may, at the option of the Administrator, be provided electronically in accordance with Regulation § 1.401(a)-21.

ARTICLE VII DEATH BENEFITS

7.1 Eligibility for Pre-Retirement Death Benefit

7.1.1 A pre-retirement death benefit shall be payable under the Plan in the event of the death of a Participant prior to his Benefit Commencement Date who, on the date of death, was either:

- (a) Actively employed by the Employer;
- (b) Disabled; or
- (c) Terminated but eligible for Early Retirement.

The death benefit payable under this Section 7.1.1 shall be the larger of (d) or (e), where:

(d) Is the lump sum Actuarial Equivalent, as of the day before the death of the Participant, of the Accrued Retirement Benefit that would have been payable upon Normal Retirement of the Participant;

(e) Is the lump sum Actuarial Equivalent, as of the day before the Participant's death, of the monthly benefit which would have been payable to the Participant's Spouse in the form of an immediate Qualified Joint and Survivor Annuity under the Plan if (i) in the case of a Participant who dies after having attained the earliest retirement age under the Plan, the Participant had retired on the day before his death, and (ii) in the case of a Participant who dies before having attained the earliest retirement age under the Plan, the Participant had separated from service as of his date of death, survived until his earliest retirement age under the Plan, retired on the day after attainment of his earliest retirement age under the Plan, and died immediately thereafter.

7.1.2 A pre-retirement death benefit shall also be payable under the Plan in the event of the death of a married Participant prior to his or her Benefit Commencement Date who had a Vested Separation prior to eligibility for Early Retirement. The death benefit payable under this Section 7.1.2 shall be equal to the benefit calculated under Section 7.1.1(e).

7.2 Form of Pre-Retirement Death Benefit

7.2.1 The pre-retirement death benefit payable under Section 7.1.1 shall be payable to the Surviving Spouse of such Participant in the form of an Actuarially Equivalent single life annuity commencing on the date of death unless the Participant has no Surviving Spouse or the Participant has made an election under Section 7.3, with the Spouse's consent, not to have the benefit paid in such form. If the Participant has no Surviving Spouse or has made an effective election under Section 7.3, such benefit shall be paid to the Participant's Beneficiary in the Actuarially Equivalent form elected by the Participant commencing on the date elected, or if there is no designated Beneficiary, to the Participant's estate in a single lump sum. The Surviving Spouse or other Beneficiary may elect any other Actuarially Equivalent form of payment permitted under Section 6.1.1, by an instrument in writing filed with the Administrator within 60 days after the Participant's death.

7.2.2 The pre-retirement death benefit payable under Section 7.1.2 shall be payable to the Surviving Spouse of such Participant in the form of an Actuarially Equivalent single life annuity

commencing on the date the Participant would have attained earliest retirement age, unless the Surviving Spouse shall elect another Actuarially Equivalent form of payment permitted by Section 6.1.1, by an instrument in writing filed with the Administrator within 60 days after the Participant's death. No benefit shall be payable under Section 7.1.2 unless the Spouse is alive on such Benefit Commencement Date.

7.2.3 Notwithstanding the provisions of Sections 7.2.1 and 7.2.2, if the present value of the pre-retirement death benefit payable under Section 7.1.1 or 7.1.2 is \$1,000 or less, such benefit shall be distributed in a single lump sum as soon as practicable following the death of the Participant.

7.2.4 Any lump sum payment payable to a Spouse pursuant to this Section 7.2 shall be eligible for a direct rollover in accordance with Section 6.3.

7.3 Election to Waive

7.3.1 An election by a married Participant under Section 7.2.1 must be in the form of an election to waive the Qualified Pre-Retirement Survivor Annuity. In order for any waiver pursuant to this Section 7.3.1 to be effective, the Participant's Spouse must consent in writing to such election, and such consent must acknowledge the effect of the election and must be witnessed by the Administrator or a notary public. Such spousal consent shall be effective only with respect to the Spouse giving this consent and, once given, such consent shall be irrevocable. The Participant shall have the right to revoke his waiver at any time prior to the earlier of the Participant's Benefit Commencement Date or death.

7.4 Beneficiaries

7.4.1 With respect to any death benefit payable pursuant to Section 7.1.1, a Participant's Beneficiary shall be his Surviving Spouse or, subject to the spousal consent rules in Section 7.3, other Beneficiary or Beneficiaries designated by the Participant in accordance with rules established by the Administrator. With respect to any death benefit payable pursuant to Section 7.1.2, a Participant's Beneficiary shall be his Surviving Spouse.

7.4.2 With respect to any form of payment of a Retirement Benefit pursuant to Article V providing for payments after the death of the Participant, a Participant shall designate, in accordance with the election procedure under Article VI, one or more Beneficiaries to whom amounts due after his death shall be paid, and the rights of such Beneficiary shall be governed by the terms of the form of payment so elected.

7.4.3 No Spouse or other Beneficiary shall have any right to benefits under the Plan unless he shall survive the Participant. If a Beneficiary fails to survive a Participant for at least 30 days, it shall be presumed that the Participant survived the Beneficiary.

7.5 After-Death Distribution Rules

7.5.1 Notwithstanding any Plan provision to the contrary, if a Participant dies after distribution of his benefits has commenced, the remaining portion of such benefits will continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

7.5.2 Notwithstanding any Plan provision to the contrary, if a Participant dies before distribution of his benefits has commenced, the Participant's entire interest will be distributed no later than 5 years after the Participant's death; provided, however, that if any portion of the Participant's interest is payable to his Beneficiary, distributions may be made in substantially equal installments over the life or life expectancy of the Beneficiary, commencing (i) in the case of a Beneficiary other than a Surviving Spouse, no later than one year after the Participant's death; and (ii) in the case of a Surviving Spouse, no later than the later of one year after the Participant's death or the date on which the Participant would have attained age 70¹/₂. If the Spouse dies before payments to such Spouse begin, subsequent distributions shall be made as if the Spouse had been the Participant.

ARTICLE VIII CONTRIBUTIONS AND FORFEITURES

8.1 Contribution by the Company

The Company and each Participating Affiliate will make contributions to the Trust at such times and in such amounts as the Company may determine.

8.2 Contributions by Employees

Employees are not required or permitted to make contributions under the Plan.

8.3 Forfeitures

Forfeitures under the Plan will be applied to reduce the Company's contributions and will not be applied to increase the benefits of any person hereunder prior to the termination of the Plan or complete discontinuance of contributions by the Company.

8.4 Return of Employer Contributions under Special Circumstances

Notwithstanding any provision of this Plan to the contrary, upon timely written demand by an Employer to the Trustee:

(a) Any contribution made by the Employer to the Plan under a mistake of fact shall be returned to the Employer by the Trustee within one year after the payment of the contribution;

(b) Any contribution made by the Employer incident to the determination by the Commissioner of Internal Revenue that the Plan is initially a Qualified Plan shall be returned to the Employer by the Trustee within one year after notification from the Internal Revenue Service that the Plan is not initially a Qualified Plan; and

(c) Any contribution made by the Employer conditioned upon the deductibility of the contribution under Code § 404 shall be returned to the Employer within one year after a deduction for the contribution under Code § 404 is disallowed by the Internal Revenue Service, but only to the extent disallowed. Each contribution by an Employer shall be conditioned upon the deductibility of the contribution under Code § 404 unless the Employer elects otherwise.

ARTICLE IX FIDUCIARIES

9.1 Named Fiduciaries

The named fiduciaries, who shall have authority to control and manage the operation and administration of the Plan, are as follows:

(a) The Company, which shall have the sole right to (i) appoint and remove from office the members of the Administrative Committee, the Trustee and any investment manager; (ii) establish a funding policy relating to, and the method for achieving the objectives of, the Plan; (iii) amend or terminate the Plan, and (iv), at its election, direct the Trustee concerning any aspect of the investment, management, or control of Plan assets;

(b) The Administrative Committee, which shall have the authority and duties specified in Article XI hereof;

(c) The Trustee, which shall have the authority and duties specified in Article X hereof and the Trust Agreement; and, in addition, the authority and duties of the Administrative Committee, in the event that no such Committee shall be appointed or constituted by the Company; and

(d) Any investment manager or managers selected by the Company who renders investment advice with respect to Plan assets.

9.2 Employment of Advisers

A "named fiduciary" with respect to the Plan (as defined in ERISA § 402(a)(2)) and any "fiduciary" (as defined in ERISA § 3(21)) appointed by such a "named fiduciary" may employ one or more persons to render advice with regard to any responsibility of such "named fiduciary" or "fiduciary" under the Plan.

9.3 Multiple Fiduciary Capacities

Any "named fiduciary" with respect to the Plan (as defined in ERISA § 402(a)(2)) and any other "fiduciary" (as defined in ERISA § 3(21)) with respect to the Plan may serve in more than one fiduciary capacity.

9.4 Reliance

Any fiduciary with respect to the Plan may rely upon any direction, information or action of any other fiduciary, acting within the scope of its responsibilities under the Plan, as being proper under the Plan.

9.5 Scope of Authority and Responsibility

The responsibilities of the Administrative Committee and the Trustee for the operation and administration of the Plan are allocated between them in accordance with the provisions of the Plan and the Trust Agreement wherein their respective duties are specified. Each fiduciary shall have only the authority and duties as are specifically given to it under this Plan, shall be responsible for the proper

exercise of its own authorities and duties, and shall not be responsible for any act or failure to act of any other fiduciary.

9.6 Trustee Subject to Directions of Named Fiduciary

In the event the Company elects, pursuant to Section 9.1(a)(iv), to direct the Trustee with respect to the investment, management, or control of Plan assets, the Company shall serve in such capacity as a Named Fiduciary of the Plan, and the Trustee shall be subject to such directions from the Company that are made in accordance with the terms of the Plan and are not contrary to the provisions of ERISA.

ARTICLE X

TRUSTEE

10.1 Trust Agreement

The Company shall enter into one or more Trust Agreements with the Trustee or Trustees selected by it in its sole discretion, and the Trustee shall receive the contributions to the Trust Fund made by the Employer pursuant to the Plan and shall hold, invest, reinvest, and distribute such fund, as applicable, in accordance with the terms and provisions of the Trust Agreement. The Company will determine the form and terms of such Trust Agreement and may modify such Trust Agreement from time to time to accomplish the purposes of this Plan and may, in its sole discretion, remove any Trustee and select any successor Trustee.

10.2 Assets in Trust

Except as otherwise permitted under the Plan, all assets of the Plan shall be held in trust by the Trustee who upon acceptance of such office shall have such authority as is set forth in the Trust Agreement.

ARTICLE XI ADMINISTRATIVE COMMITTEE

11.1 Appointment and Removal of Administrative Committee

The administration of the Plan shall be vested in an Administrative Committee (hereinafter in this Article XI, the "Committee") of at least three (3) persons who shall be appointed by the Board, and may include persons who are not Participants in the Plan. A person appointed a member of the Committee shall signify his acceptance in writing. The Board may remove or replace any member of the Committee at any time in its sole discretion, and any Committee member may resign by delivering his written resignation to the Board, which resignation shall become effective upon its delivery or at any later date specified therein. If at any time there shall be a vacancy in the membership of the Committee, the remaining member or members of the Committee shall continue to act until such vacancy is filled by action of the Board.

11.2 Officers of Administrative Committee

The Committee shall appoint from among its members a chairman, and shall appoint as secretary a person who may be, but need not be, a member of the Committee or a Participant in the Plan.

11.3 Action by Administrative Committee

The Committee shall hold meetings upon such notice, at such place or places, and at such times as its members may from time to time determine. A majority of its members at the time in office shall constitute a quorum for the transaction of business. All action taken by the Committee at any meeting shall be by vote of the majority of its members present at such meeting, except that the Committee also may act without a meeting by a consent signed by a majority of its members. Any member of the Committee who is a Participant in the Plan shall not vote on any question relating exclusively to himself.

11.4 Rules and Regulations

Subject to the terms of the Plan, the Committee may from time to time adopt such rules and regulations as it shall deem appropriate for the administration of the Plan and for the conduct and transaction of its business and affairs.

11.5 Powers

The Committee shall have such powers as may be necessary to discharge its duties under the Plan, including the power:

(a) To interpret and construe the Plan in its discretion, to determine all questions with regard to employment, eligibility, Credited Service, Compensation, Retirement Benefits, and such factual matters as date of birth and marital status, and similarly related matters for the purpose of the Plan. The Committee's determination of all questions arising under the Plan shall be conclusive upon all Participants, the Board, the Company, Employers, the Trustee, and other interested parties;

(b) To prescribe procedures to be followed by Participants and Beneficiaries filing application for benefits;

- (c) To prepare and distribute to Participants information explaining the Plan;
- (d) To appoint or employ individuals to assist in the administration of the Plan and any other agents it deems advisable, including legal, accounting and actuarial counsel;
- (e) To instruct the Trustee to make benefit payments pursuant to the Plan;
- (f) To appoint an enrolled actuary and to receive and review the periodic valuation of the Plan made by such actuary;
- (g) To receive and review reports of disbursements from the Trust Fund made by the Trustees; and
- (h) To receive and review the periodic audit of the Plan made by a certified public accountant appointed by the Company.

11.6 Information from Participants

Each Participant shall be required to furnish to the Committee, in the form prescribed by it, such personal data, affidavits, authorizations to obtain information, and other information as the Committee may deem appropriate for the proper administration of the Plan.

11.7 Reports

The Committee shall prepare, or cause to be prepared, such periodic reports to the U.S. Labor Department, the Internal Revenue Service and the Pension Benefit Guaranty Corporation as may be required pursuant to the Code or ERISA.

11.8 Authority to Act

The Committee may authorize one or more of its members, officers, or agents to sign on its behalf any of its instructions, directions, notifications, or communications to the Trustee, and the Trustee may conclusively rely thereon and on the information contained therein.

11.9 Liability for Acts

The members of the Committee shall be entitled to rely upon all valuations, certificates and reports furnished by the Plan actuary or accountant and upon all opinions given by any legal counsel selected by the Committee, and the members of the Committee shall be fully protected with respect to any action taken or suffered by their having relied in good faith upon such actuary, accountant or counsel and all action so taken or suffered shall be conclusive upon each of them and upon all Participants and their Beneficiaries. No member of the Committee shall incur any liability for anything done or omitted by him except only liability for his own willful misconduct.

11.10 Compensation and Expenses

Unless authorized by the Board, a member or officer of the Committee shall not be compensated for his service in such capacity, but shall be reimbursed for reasonable expenses incident to the performance of such duty.

11.11 Indemnity

The Company shall indemnify the members of the Committee and any of their agents acting in behalf of the Plan against any and all liabilities or expenses, including all legal fees related thereto, to which they may be subjected as members of the Committee by reason of any act or failure to act which constitutes a breach or an alleged breach of fiduciary responsibility under ERISA or otherwise, except that due to a person's own willful misconduct.

11.12 Denied Claims

The claims procedures set forth in ERISA Regulation § 2560.503-1 are hereby incorporated into the Plan except as otherwise provided in this Section 11.12. If any application for payment of a benefit under the Plan shall be denied, the Committee shall with the denial write the claimant setting forth the specific reasons for the denial and explaining the Plan's claim review procedure. If a claimant whose claim has been denied wishes further consideration of his claim, he may appeal to the Committee to review his claim in a written statement of the claimant's position filed with the Committee no later than 60 days after the claimant receives such denial (180 days in the case of a Disability claim). The Committee shall make a full review of the claim and the denial, giving the claimant written notice of its decision within the next 60 days (45 days in the case of a Disability claim). Due to special circumstances, if no decision has been made within the first 60 days (45 days in the case of a Disability claim) and notice of the need for additional time has been furnished within such period, the decision may be made within the following 60 days (45 days in the case of a Disability claim). A claimant shall be required to exhaust the administrative remedies provided by this Section 11.12 prior to seeking any other form of relief, including a civil action under ERISA, provided that any such action must be filed no later than the 180th day after the date of the denial of the appeal.

ARTICLE XII
PLAN AMENDMENT OR TERMINATION

12.1 Plan Amendment

The Company shall have the right at any time to amend the Plan, which amendment shall be evidenced by an instrument in writing signed by an authorized officer of the Company, effective retroactively or otherwise. No such amendment shall have any of the effects specified in Section 12.2.

12.2 Limitations on Plan Amendment

No Plan amendment shall:

(a) Authorize any part of the Trust to be used for, or diverted to, purposes other than for the exclusive benefit of Participants or their Beneficiaries;

(b) Decrease the accrued benefits of any Participant or his Beneficiary under the Plan (except to the extent permitted under Code § 412(c)(8)); or

(c) Change the vesting schedule, either directly or indirectly, unless each Participant having not less than three years of Vesting Service is permitted to elect, within a reasonable period specified by the Administrator after the adoption of such amendment, to have his vested percentage computed without regard to such amendment. The period during which the election may be made shall commence with the date the amendment is adopted and shall end as the later of:

(i) 60 days after the amendment is adopted;

(ii) 60 days after the amendment becomes effective; or

(iii) 60 days after the Participant is issued written notice by the Administrator.

No amendment to the Plan (including a change in the actuarial basis for determining optional or early retirement benefits) shall be effective to the extent that it has the effect of decreasing a Participant's accrued benefit. For purposes of this paragraph, a Plan amendment that has the effect of (1) eliminating or reducing an early retirement benefit or a retirement-type subsidy, or (2) eliminating an optional form of benefit, with respect to benefits attributable to service before the amendment shall be treated as reducing accrued benefits. In the case of a retirement-type subsidy, the preceding sentence shall apply only with respect to a Participant who satisfies (either before or after the amendment) the pre-amendment conditions for the subsidy. Notwithstanding the preceding sentences, a Participant's accrued benefit, early retirement benefit, retirement-type subsidy, or optional form of benefit may be reduced to the extent permitted under Code § 412(c)(8) (for Plan Years beginning on or before December 31, 2007) or Code § 412(d)(2) (for Plan Years beginning after December 31, 2007), or to the extent permitted under Regulation §§ 1.411(d)-3 and 1.411(d)-4. For purposes of this paragraph, a retirement-type subsidy is the excess, if any, of the actuarial present value of a retirement-type benefit over the actuarial present value of the accrued benefit commencing at Normal Retirement Age or at actual commencement date, if later, with both such actuarial present values determined as of the date the retirement-type benefit commences.

12.3 Right of the Employer to Terminate Plan

The Company intends and expects that from year to year it will be able to and will deem it advisable to continue this Plan in effect and to make contributions as herein provided. The Company reserves the right, however, to terminate the Plan at any time which termination shall be evidenced by an instrument in writing signed by an authorized officer of the Company delivered to the Administrator and the Trustee.

12.4 Effect of Partial or Complete Termination

12.4.1 Determination of Date of Complete or Partial Termination. The date of complete or partial termination shall be established by the Administrator in accordance with the directions of the Company in accordance with applicable law.

12.4.2 Effect of Termination.

(a) As of the date of a partial termination of the Plan:

(i) The accrued benefit of each affected Participant who is then an Employee, to the extent funded, shall become nonforfeitable;

(ii) No affected Participant shall be granted Credited Service based on Years of Service after such date; and

(iii) Compensation paid to affected Participants after such date shall not be taken into account.

(b) As of the date of the complete termination of the Plan:

(i) The accrued benefit of each Participant who is then an Employee, to the extent funded, shall become non-forfeitable;

(ii) No Participant shall be granted Credited Service based on Years of Service after such date;

(iii) Compensation paid after such date shall not be taken into account;

(iv) No Eligible Employee shall become a Participant after such date; and

(v) Except as may otherwise be required by applicable law, all Employer obligations to fund the Plan shall terminate.

12.5 Allocation of Assets

At any time as the Company determines to distribute the Trust, the Trust shall be applied to the payment of or provision for benefits in accordance with the priority classes established by ERISA § 4044. The respective amounts allocated to such priority classes shall be distributed to or set aside for the benefit of the persons entitled thereto in such manner as is determined by the Administrator.

12.6 Residual Assets

Any amounts remaining in the Trust after the satisfaction of all liabilities of the Trust with respect to all Participants and their Beneficiaries shall revert to the Employer.

12.7 Limitations Applicable to Certain Highly Paid Participants

Notwithstanding any provision in the Plan to the contrary, in any Plan Year the annual payments to a Participant who is among the 25 "highly compensated employees" (as defined in Code § 414(q)) with the greatest Compensation for the Plan Year shall not exceed the amount which would be payable to such Participant in the form of a single life annuity which is the Actuarial Equivalent of the sum of the Participant's accrued benefit and other Plan benefits, unless:

(a) After payment of all Plan benefits to such Participant, the value of the Plan's assets equals or exceeds 110% of the value of the Plan's "current liabilities" (as defined in Code § 412(1)(7)); or

(b) The value of such Participant's Plan benefits is less than 1% of the value of the Plan's current liabilities.

ARTICLE XIII MISCELLANEOUS PROVISIONS

13.1 Exclusive Benefit of Participants

The Trust shall be held for the benefit of all persons who shall be entitled to receive payments under the Plan. It shall be prohibited at any time for any part of the Trust (other than such part as is required to pay expenses) to be used for, or diverted to, purposes other than for the exclusive benefit of Participants or their Beneficiaries.

13.2 Plan Not a Contract of Employment

The Plan is not a contract of Employment, and the terms of Employment of any Employee shall not be affected in any way by the Plan or related instruments except as specifically provided therein.

13.3 Source of Benefits

Benefits under the Plan shall be paid or provided for solely from the Trust, and neither the Company, an Employer, the Administrator, Trustee or Investment Manager shall assume any liability therefor.

13.4 Benefits Not Assignable

Benefits provided under the Plan may not be assigned or alienated, either voluntarily or involuntarily. The preceding sentence shall also apply to the creation, assignment or recognition of a right to any benefit payable with respect to a Participant pursuant to a "domestic relations order" (as defined in Code § 4-14(p)) unless such order is determined by the Administrator to be a "qualified domestic relations order" (as defined in Code § 414(p)) or, in the case of a "domestic relations order" entered before January 1, 1985, if either payment of benefits pursuant to the order has commenced as of that date or the Administrator decides to treat such order as a "qualified domestic relations order" within the meaning of Code § 414(p) even if it does not otherwise qualify as such.

Exception for Certain Judgments on or after August 5, 1997: Effective as of August 5, 1997, the Plan will recognize and comply with an order, judgment, decree, or settlement agreement that satisfies the requirements of Code § 401(a)(13) (relating to crimes involving the plan or certain civil actions relating to breaches of fiduciary duty under ERISA.)

13.5 Domestic Relations Orders

Any other provision of the Plan to the contrary notwithstanding, the Administrator shall have all powers necessary with respect to the Plan for the proper operation of Code § 414(p) with respect to "qualified domestic relations orders" (or "domestic relations orders" treated as such) referred to in Section 13.4, including, but not limited to, the power to establish all necessary or appropriate procedures, to authorize the establishment of new accounts with such assets and subject to such restrictions as the Administrator may deem appropriate, and the Administrator may decide upon and direct appropriate distributions therefrom.

A domestic relations order that otherwise satisfies the requirements for a qualified domestic relations order (QDRO) will not fail to be a QDRO: (i) solely because the order is issued after, or

revises, another domestic relations order or QDRO; or (ii) solely because of the time at which the order is issued, including issuance after the annuity starting date or after the Participant's death.

13.6 Benefits Payable to Minors, Incompetents and Others

In the event any benefit is payable to a minor or an incompetent or to a person otherwise under a legal disability, or who, in the sole discretion of the Administrator, is by reason of advanced age, illness or other physical or mental incapacity incapable of handling and disposing of his property, or otherwise is in such position or condition that the Administrator believes that he could not utilize the benefit for his support or welfare, the Administrator shall have discretion to apply the whole or any part of such benefit directly to the care, comfort, maintenance, support, education or use of such person, or pay the whole or any part of such benefit to the parent of such person, the guardian, committee, conservator or other legal representative, wherever appointed, of such person, the person with whom such person is residing, or to any other person having the care and control of such person. The receipt by any such person to whom any such payment on behalf of any Participant or Beneficiary is made shall be a sufficient discharge therefor.

13.7 Merger or Transfer of Assets

13.7.1 The merger or consolidation of the Company with any other person, or the transfer of the assets of the Company to any other person, shall not constitute a termination of the Plan, if provision is made for the continuation of the Plan.

13.7.2 The Plan may not merge or consolidate with, or transfer any assets or liabilities to, any other plan, unless each Participant would (if the Plan then terminated) receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer (if the Plan had then terminated).

13.7.3 The Liberty National Life Insurance Company Pension Plan and the Liberty National Life Insurance Company Pension Plan for Non-Commissioned Employees were merged with and into the Plan, effective as of January 1, 2004 pursuant to Section 13.7 of the Plan.

13.8 Participation in the Plan by an Affiliate Section 13.8 was amended effective January 1, 2012 to read as follows:

13.8.1 Subject to the approval of the Board of Directors of the Company, an Affiliate, by duly authorized action of its board of directors, may adopt the Plan and determine the classes of its Employees who shall be Eligible Employees. Such Affiliate shall make such contributions to the Plan on behalf of such Employees as is determined by the Company. If no such action is taken, the Eligible Employees and the amount of Retirement Benefit shall be determined in accordance with the Plan provisions applicable to an Employer.

13.8.2 By duly authorized action of its board of directors, an Affiliate may terminate its participation in the Plan or withdraw from the Plan and the Trust.

13.8.3 An Employer other than the Company shall have no power with respect to the Plan except as specifically provided by this Section 13.8.

13.9 Action by Employer

Any action required to be taken by an Employer pursuant to the terms of the Plan shall be taken by the Board of Directors of the Employer or any person or persons duly empowered to exercise the powers of the Employer with respect to the Plan.

13.10 Provision of Information

For purposes of the Plan, each Employee shall execute such forms as may be reasonably required by the Administrator and the Employee shall make available to the Administrator and the Trustee any information they may reasonably request in this regard.

13.11 Controlling Law

The Plan is intended to qualify under Code § 401(a) and to comply with ERISA, and its terms shall be interpreted accordingly. Otherwise, to the extent not preempted by ERISA, the laws of the State of Alabama shall control the interpretation and performance of the terms of the Plan.

13.12 Conditional Restatement

Anything in the foregoing to the contrary notwithstanding, the Plan has been restated on the express condition that it will be considered by the Internal Revenue Service as qualifying under the provisions of Code § 401(a) and the Trust qualifying for exemption from taxation under Code § 501(a). If the Internal Revenue Service determines that the Plan or Trust does not so qualify, the Plan shall be amended or terminated as decided by the Company.

13.13 Rules of Construction

Masculine pronouns used herein shall refer to men or women or both and nouns and pronouns when stated in the singular shall include the plural and when stated in the plural shall include the singular, unless qualified by the context. Titles of Articles and Sections of the Plan are for convenience of reference only and are to be disregarded in applying the provisions of the Plan. Any reference in this Plan to an Article or Section is to the Article or Section so specified of the Plan.

13.14 USERRA

Notwithstanding any provisions of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with Code §414(u).

In the case of a death or disability occurring on or after January 1, 2007, if a Participant dies while performing qualified military service (as defined in Code § 414(u)), the survivors of the Participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as if the Participant had resumed and then terminated Employment on account of death.

An individual receiving a differential wage payment, as defined by Code § 3401(h)(2), shall be treated as an Employee of the Employer making the payment, the differential wage payment shall be treated as compensation, and the Plan shall not be treated as failing to meet the requirements of any provision described in Code § 414(u)(1)(C) by reason of any contribution or benefit which is based on the differential wage payment.

ARTICLE XIV
MINIMUM RETIREMENT INCOME

14.1 Prior Plans

14.1.1 In no case, shall the monthly Retirement Benefit for any Participant who was a Participant in either the Retirement Plan for Employees of Globe Life and Accident Insurance Company and Its Affiliates or the Retirement Plan for Employees of United American Insurance Company ("the Prior Plans") whichever is applicable, on December 31, 1982, be less than (a) below or (b) plus (c), whichever is greater, where:

(a) Is the monthly normal retirement income which had accrued to such Participant on December 31, 1982, under the applicable Prior Plan, which shall be:

For the prior Globe Retirement Plan, an amount equal to $1/12$ of (i) times .0115 times (ii) plus (iii) times ((ii) - \$5,520) where:

(i) Is the Participant's number of years of credited service (as defined in such Prior Plan) (with a maximum of 35);

(ii) Is average salary (5 years of highest salary out of last 10 years with a maximum of \$35,000);

(iii) Is the Participant's number of years of credited service as defined in such Prior Plan times .02, with a maximum of .3.

For the prior United American Plan, an amount equal to $1/12$ of (i) plus (ii), where:

(i) Is an amount equal to the number of years of credited service as defined in such prior plan (up to 30) multiplied by $1\frac{1}{2}\%$ of average annual compensation during the five consecutive calendar years (of the last 10) of highest average compensation; and

(ii) Is an amount equal to the number of years of credited service after age 40 (up to 18 years) times $1\frac{1}{2}\%$ of that portion of average annual compensation, during the five consecutive calendar years (of the last 10 calendar years) of highest average compensation, which is in excess of the maximum Social Security wage base.

(b) Is the normal retirement income accrued to the Participants under such Prior Plans on December 31, 1982 pursuant to (a) above.

(c) Is the additional normal retirement income such Participants could have accrued up to December 31, 1988 under either of such Prior Plans, whichever is applicable, if such Prior Plans had continued in effect without amendment until December 31, 1988.

14.1.2 For Participants who were participating in the Liberty National Life Insurance Company Pension Plan on April 5, 1982, the amount of annual Retirement Benefit commencing on the Normal Retirement Date of any such Participant retiring under this Plan after April 5, 1982, shall not be less than the amount calculated in (a) or (b) below, (whichever is greater), where:

(a) Is (i) plus (ii) less (iii), where:

(i) Applies only to Participants with less than 30 years of Credited Service on the anniversary of Employment immediately preceding April 5, 1982, and is $1/12$ of .02 times Final Average Compensation times the number of complete months of service for benefit accrual purposes for an Employer participating in this Plan from March 6, 1982, through the earlier of the 30th Year of Service for benefit accrual purposes, or the date of separation from service;

(ii) Is $1/12$ of .01 times Final Average Compensation times the number of complete months of service for benefit accrual purposes for an Employer participating in this Plan from March 6, 1982, or the 30th Year of Service for benefit accrual purposes, through the earlier of the date of separation from service or the 40th Year of Service for benefit accrual purposes;

(iii) Applies only to Participants with less than 30 years of Credited Service on the anniversary of Employment immediately preceding April 5, 1982, and is the smaller of (x) $1/12$ of the Social Security Offset Percentage times the Participant's Special Average Earnings times the number of complete months of service for benefit accrual purposes for an Employer participating in this Plan from March 6, 1982, through the earlier of the 35th Year of Service for benefit accrual purposes, or the date of separation from service or (y) 50% of the sum of the amounts in (a)(i) plus (a)(ii) but substituting Special Average Earnings for Final Average Compensation in those formulas.

(b) Is (i) plus (ii) less (iii), where:

(i) Is $1/12$ of .02 times Final Average Compensation times the number of complete months of service for benefit accrual purposes for an Employer participating in this Plan from April 5, 1982, through April 4, 1987;

(ii) Is $1/12$ of .015 times Final Average Compensation times the number of complete months of service for benefit accrual purposes for an Employer participating in this Plan from April 5, 1987, through April 4, 1992;

(iii) Is the amount calculated in (a)(iii), above.

Any benefit provided under this Section 14.1.2 shall be based solely on Credited Service for benefit accrual purposes for an Employer participating in this Plan.

ARTICLE XV
TOP-HEAVY PROVISIONS

15.1 Definitions

As used in this Article XV, each of the following terms shall have the meanings for that term set forth below:

(a) Defined Benefit Plan means, a plan of the type defined in Code § 414(j) maintained by the Company or an Affiliate, as applicable.

(b) Defined Contribution Plan means, a plan of the type defined in Code § 414(i) maintained by the Company or an Affiliate, as applicable.

(c) Determination Date means, for any Plan Year subsequent to the first Plan Year, the last day of the preceding Plan Year. For the first Plan Year of the Plan, Determination Date means the last day of that year.

(d) Determination Period means the Plan Year containing the Determination Date and the four preceding Plan Years.

(e) Key Employee means any Employee or former Employee (including deceased Employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Employer having annual compensation greater than \$130,000 (as adjusted under Code § 416(i)(1)), a five-percent owner of the Employer, or a one-percent owner of the Employer having an annual compensation of more than \$150,000. For this purpose, annual compensation means compensation within the meaning of Code § 415(c)(3). The determination of who is a Key Employee will be made in accordance with Code § 416(i)(1) and the applicable Regulations and other guidance of general applicability issued thereunder.

(f) Limitation Compensation means, for an Employee, the Employee's earned income, wages, salaries, fees for professional services and other amounts received for personal services actually rendered in the course of Employment (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips and bonuses); amounts described in Code §§ 104(a)(3), 105(a) and 105(h) to the extent includable in the Employee's gross income; amounts described in Code § 105(d) whether or not excludable from the Employee's gross income; reimbursed non-deductible moving expenses; the value of nonqualified stock options to the extent includable in the Employee's gross income in the year of grant; the amount includable in the Employee's gross income pursuant to an election under Code § 83(b); distributions from an unfunded, non-qualified plan of deferred compensation; and excluding the following:

(i) Contributions to a plan of deferred compensation which are not includible in the Employee's gross income for the taxable year in which contributed, or contributions under a "simplified employee pension" (within the meaning of Code § 408(k)) to the extent such contributions are deductible by the Employee, or any distributions from a plan of deferred compensation (other than an unfunded non-qualified plan);

(ii) Amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or other property) held by the Employee either becomes freely "transferable" or is no longer subject to a "substantial risk of forfeiture" (both quoted terms within the meaning of Code § 83(a));

(iii) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and

(iv) Other amounts which received special tax benefits, or contributions made (whether or not under a salary reduction agreement) towards the purchase of an annuity described in Code § 403(b) (whether or not the amounts are actually excludable from the gross income of the Employee).

Notwithstanding the above provisions, a Participant's Limitation Compensation will include any elective deferrals (as defined in Code §402(e)(3)), any amount which is contributed or deferred at the election of the Participant and which is not includable in the gross income of the Participant by reason of Code §125 or Code §457, and a Participant's elective deductions for "qualified transportation fringes" under Code §132(0(4).

(g) Non-Key Employee means any Employee who is not a Key Employee.

(h) Permissive Aggregation Group means the Required Aggregation Group of plans plus any other plan or plans of the Company or an Affiliate which, when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Code §§ 401(a)(4) and 410.

(i) Required Aggregation Group means (i) each qualified plan of an Employer in which at least one Key Employee participates, and (ii) any other qualified plan of an Employer which enables a plan described in clause (i) to meet the requirements of Code §§ 401(a)(4) and 410.

(j) Super Top-Heavy Plan means the Plan, if any Top-Heavy Ratio as determined under the definition of Top-Heavy Plan exceeds 90%.

(k) Top-Heavy Plan means the Plan, if any of the following conditions exists:

(i) If the Top-Heavy Ratio for the Plan exceeds 60% and the Plan is not part of any Required Aggregation Group or Permissive Aggregation Group of plans.

(ii) If the Plan is a part of a Required Aggregation Group of plans but not part of a Permissive Aggregation Group and the Top-Heavy Ratio for the Required Aggregation Group of plans exceeds 60%.

(iii) If the Plan is a part of a Required Aggregation Group and part of a Permissive Aggregation Group of plans and the Top-Heavy Ratio for the Permissive Aggregation Group exceeds 60%.

(l) Top-Heavy Ratio means:

(i) If the Company or an Affiliate maintains one or more Defined Benefit Plans and the Company or an Affiliate has never maintained any defined contribution Plan (including

any "simplified employee pension" within the meaning of Code § 408(k)) which during the five-year period ending on the Determination Date has or has had account balances, the Top-Heavy Ratio for the Plan alone or for the Required or Permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of the present values of accrued benefits under the aggregated Defined Benefit Plans of all Key Employees as of the respective Determination Date for each plan (including any part of any accrued benefit distributed in the five-year period ending on the Determination Date), and the denominator of which is the sum of the present values of all accrued benefits under the aggregated Defined Benefit Plans as of the respective Determination Date for each plan (including any part of any accrued benefit distributed in the five-year period ending on the Determination Date) determined in accordance with Code § 416.

(ii) If the Company or an Affiliate maintains one or more Defined Benefit Plans and the Company or an Affiliate maintains or has maintained one or more Defined Contribution Plans (including any "simplified employee pension" within the meaning of Code § 408(k)) which during the five-year period ending on the Determination Date has or has had any account balances, the Top-Heavy Ratio for any Required or Permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of the present value of accrued benefits under the aggregated Defined Benefit Plans for all Key Employees, determined in accordance with (i) above, plus the sum of account balances under the aggregated Defined Contribution Plans for all Key Employees as of the respective Determination Date for each plan, and the denominator of which is the sum of the present value of all accrued benefits under the aggregated Defined Benefit Plans, determined in accordance with (i) above, plus the sum of all account balances under the aggregated Defined Contribution Plans for all Participants as of the respective Determination Date for each plan, all determined in accordance with Code § 416.

The present values of accrued benefits of an Employee as of the determination date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Code § 416(g)(2) during the one-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code § 416(g)(2)(A)(i). In the case of a distribution made for a reason other than severance from Employment, death, or Disability, this provision shall be applied by substituting "five-year period" for "one-year period."

(iii) For purposes of (i) and (ii) above, the value of account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Code § 416 for the first and second plan year of a Defined Benefit Plan. The account balances and accrued benefits of a Participant (1) who is a Non-Key Employee but who was a Key Employee in a prior year, or (2) who has not been credited with at least one Hour of Service with any Employer at any time during the one-year period ending on the Determination Date will be disregarded. The calculation of the Top-Heavy Ratio, and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Code § 416. Deductible employee contributions will not be taken into account for purposes of computing the Top-Heavy Ratio. When aggregating plans, the value of account balances and accrued benefits will be calculated with reference to the respective Determination Dates for the aggregated plans that fall within the same calendar year.

(iv) Solely for the purpose of determining if the Plan, or any other plan included in a Required Aggregation Group of which this Plan is a part, is Top-Heavy (within the

meaning of Code § 416(g)) such determination shall be made under (1) the method, if any, that uniformly applies for accrual purposes under all plans maintained by the Employer, or (2) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rate of Code § 411(b)(1)(C).

(m) Valuation Date means, the date as of which account balances, or accrued benefits are valued for purposes of calculating the Top-Heavy Ratio.

15.2 Top Heavy Rules

If the Plan is determined to be a Top-Heavy Plan or a Super Top-Heavy Plan as of any Determination Date, then it shall be subject to the rules set forth in this Article XV, beginning with the first Plan Year commencing after such Determination Date. Even if, as of a subsequent Determination Date, the Plan is determined to no longer be a Top-Heavy Plan or a Super Top-Heavy Plan, the rules set forth in these Sections will continue to apply.

15.3 Compensation

If the Plan is a Top-Heavy Plan or a Super Top-Heavy Plan, Compensation for the purpose of this Plan shall be limited to the first \$150,000 (or such larger amounts as may be prescribed for the Plan Year involved pursuant to Code § 416(d)(2)) of the amount that would otherwise have been Compensation.

15.4 Benefit

Except as provided in subparagraphs (a) and (b) below, for any Plan Year in or after which the Plan is a Top-Heavy Plan, each Participant who is a Non-Key Employee and has completed one Year of Service will accrue a Retirement Benefit (to be provided solely by Employer contributions) and expressed as a single life annuity commencing at normal retirement age (within the meaning of Code § 411(a)(8)) of not less than 2% of his or her average Limitation Compensation for the five consecutive years for which the Participant had the highest Limitation Compensation. The aggregate Limitation Compensation for the years during such five-year period in which the Participant was credited with one Year of Service will be divided by the number of such years in order to determine average Limitation Compensation. The minimum accrual is determined without regard to any Social Security contribution. The minimum accrual applies even though under other Plan provisions the Participant would not otherwise be entitled to receive an accrual, or would have received a lesser accrual for the Plan Year. The suspension of benefits provisions of this Plan shall not apply to the minimum benefits hereunder.

(a) No additional benefit accruals shall be provided pursuant to 15.4 above to the extent that the total accruals on behalf of the Participant attributable to Employer contributions will provide a Retirement Benefit expressed as a single life annuity commencing at normal retirement age (within the meaning of Code § 411(a)(8)) that equals or exceeds 20% of the Participant's highest average Limitation Compensation for the five consecutive years for which the Participant had the highest Limitation Compensation. All accruals of Employer derived benefits, whether or not attributable to years for which the Plan is a Top-Heavy Plan, may be used in computing whether the minimum accrual requirement of the preceding sentence is satisfied.

(b) The provision in 15.4 above shall not apply to any Participant to the extent that the Participant is covered under any other plan or plans of an Employer and the Employer has provided in that plan that the minimum allocation or benefit requirement applicable to this Top-Heavy Plan will be met in the other plan or plans.

(c) For purposes of satisfying the minimum benefit requirements of Code § 416(c)(1) and the Plan, in determining Years of Service with the Employer, any service with the Employer shall be disregarded to the extent that such service occurs during a Plan Year when the Plan benefits (within the meaning of Code § 410(b)) no Key Employee or former Key Employee.

15.5 Vesting

Beginning with the Plan Year in which this Plan is Top-Heavy, the following vesting schedule will apply:

<u>Completed Years of Vesting Service</u>	<u>Vested Percentage</u>
2	20%
3	40%
4	60%
5	100%

15.6 Miscellaneous

In the event that any provision of this Article XV is no longer required to qualify the Plan under the Code, then such provision shall thereupon be void without the necessity of further amendment of the Plan.

ARTICLE XVI BENEFIT RESTRICTIONS

16.1 Limitations Applicable If the Plan's Adjusted Funding Target Attainment Percentage Is Less Than 80 Percent or If the Plan Sponsor Is In Bankruptcy:

(a) Limitations Applicable If the Plan's Adjusted Funding Target Attainment Percentage Is Less Than 80 Percent, But Not Less Than 60 Percent: Notwithstanding any other provisions of the Plan, if the Plan's adjusted funding target attainment percentage for a Plan Year is less than 80 percent (or would be less than 80 percent to the extent described in Section 16.1(a)(ii)) but is not less than 60 percent, then the limitations set forth in Section 16.1(a)(i) apply.

(i) 50 Percent Limitation on Single Sum Payments, Other Accelerated Forms of Distribution, and Other Prohibited Payments: A Participant or Beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date on or after the applicable section 436 measurement date, and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment, unless the present value of the portion of the benefit that is being paid in a prohibited payment does not exceed the lesser of:

(1) 50 % of the present value of the benefit payable in the optional form of benefit that includes the prohibited payment; or

(2) 100 % of the PBGC maximum benefit guarantee amount (as defined in Regulation § 1.436-1(d)(3)(iii)(C)).

The limitation set forth in this Section 16.1(a)(i) does not apply to any payment of a benefit which under Code § 411(a)(11) may be immediately distributed without the consent of the Participant. If an optional form of benefit that is otherwise available under the terms of the Plan is not available to a Participant or Beneficiary as of the annuity starting date because of the application of the requirements of this Section 16.1(a)(i), the Participant or Beneficiary is permitted to elect to bifurcate the benefit into unrestricted and restricted portions (as described in Regulation § 1.436-1(d)(3)(iii)(D)). The Participant or Beneficiary may also elect any other optional form of benefit otherwise available under the Plan at that annuity starting date that would satisfy the 50 percent/PBGC maximum benefit guarantee amount limitation described in this Section 16.1(a)(i), or may elect to defer the benefit in accordance with any general right to defer commencement of benefits under the Plan.

During a period when Section 16.1(a)(i) applies to the Plan, Participants and beneficiaries are permitted to elect payment in any optional form of benefit otherwise available under the Plan that provides for the current payment of the unrestricted portion of the benefit (as described in Regulation § 1.436-1(d)(3)(iii)(D)), with a delayed commencement for the restricted portion of the benefit (subject to other applicable qualification requirements, such as Code §§ 411(a)(11) and 401(a)(9)).

(ii) Plan Amendments Increasing Liability for Benefits: No amendment to the Plan that has the effect of increasing liabilities of the Plan by reason of increases in benefits, establishment of new benefits, changing the rate of benefit accrual, or changing the rate at which benefits become nonforfeitable shall take effect in a Plan Year if the adjusted funding target attainment percentage for the Plan Year is:

(1) Less than 80 %; or

(2) 80 % or more, but would be less than 80 percent if the benefits attributable to the amendment were taken into account in determining the adjusted funding target attainment percentage.

The limitation set forth in this Section 16.1(a)(ii) does not apply to any amendment to the Plan that provides a benefit increase under a Plan formula that is not based on compensation, provided that the rate of such increase does not exceed the contemporaneous rate of increase in the average wages of Participants covered by the amendment.

(b) Less Than 60 Percent: Notwithstanding any other provisions of the Plan, if the Plan's adjusted funding target attainment percentage for a Plan Year is less than 60 percent (or would be less than 60 percent to the extent described in Section 16.1(b)(ii)), then the limitations in Section 16.1(b)(i) apply.

(i) Single Sums, Other Accelerated Forms of Distribution, and Other Prohibited Payments Not Permitted: A Participant or Beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date on or after the applicable section 436 measurement date, and the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment. The limitation set forth in this Section 16.1(b)(i) does not apply to any payment of a benefit which under Code § 411(a)(11) may be immediately distributed without the consent of the Participant.

(ii) Shutdown Benefits and Other Unpredictable Contingent Event Benefits Not Permitted to Be Paid: An unpredictable contingent event benefit with respect to an unpredictable contingent event occurring during a Plan Year shall not be paid if the adjusted funding target attainment percentage for the Plan Year is:

(1) Less than 60 %; or

(2) 60 % or more, but would be less than 60 % if the adjusted funding target attainment percentage were redetermined applying an actuarial assumption that the likelihood of occurrence of the unpredictable contingent event during the Plan Year is 100 %.

(iii) Benefit Accruals Frozen: Benefit accruals under the Plan shall cease as of the applicable section 436 measurement date. In addition, if the Plan is required to cease benefit accruals under this Section 16.1(b)(iii), then the Plan is not permitted to be amended in a manner that would increase the liabilities of the Plan by reason of an increase in benefits or establishment of new benefits.

(c) Limitations Applicable If the Plan Sponsor Is In Bankruptcy: Notwithstanding any other provisions of the Plan, a Participant or Beneficiary is not permitted to elect, and the Plan shall not pay, a single sum payment or other optional form of benefit that includes a prohibited payment with an annuity starting date that occurs during any period in which the Plan sponsor is a debtor in a case under title 11, United States Code, or similar Federal or State law, except for payments made within a Plan Year with an annuity starting date that occurs on or after the date on which the Plan's enrolled actuary certifies that the Plan's adjusted funding target attainment percentage for that Plan

Year is not less than 100 percent. In addition, during such period in which the Plan sponsor is a debtor, the Plan shall not make any payment for the purchase of an irrevocable commitment from an insurer to pay benefits or any other payment or transfer that is a prohibited payment, except for payments that occur on a date within a Plan Year that is on or after the date on which the Plan's enrolled actuary certifies that the Plan's adjusted funding target attainment percentage for that Plan Year is not less than 100 percent. The limitation set forth in this Section 16.1(c) does not apply to any payment of a benefit which under Code § 411(a)(11) may be immediately distributed without the consent of the Participant.

16.2 Provisions Applicable After Limitations Cease to Apply:

(a) Resumption of Prohibited Payments: If a limitation on prohibited payments under Section 16.1(a)(i), Section 16.1(b)(i), or Section 16.1(c) applied to the Plan as of a section 436 measurement date, but that limit no longer applies to the Plan as of a later section 436 measurement date, then that limitation does not apply to benefits with annuity starting dates that are on or after that later section 436 measurement date.

In addition, after the section 436 measurement date on which the limitation on prohibited payments under Section 16.1(a)(i) ceases to apply to the Plan, any Participant or Beneficiary who had an annuity starting date within the period during which that limitation applied to the Plan is permitted to make a new election (within 90 days after the section 436 measurement date on which the limit ceases to apply or, if later, 30 days after receiving notice of the right to make such election) under which the form of benefit previously elected is modified at a new annuity starting date to be changed to a single sum payment for the remaining value of the Participant or Beneficiary's benefit under the Plan, subject to the other rules in this Article XVI and applicable requirements of Code § 401(a), including spousal consent.

In addition, after the section 436 measurement date on which the limitation on prohibited payments under Section 16.1(b)(i) ceases to apply to the Plan, any Participant or Beneficiary who had an annuity starting date within the period during which that limitation applied to the Plan is permitted to make a new election (within 90 days after the section 436 measurement date on which the limit ceases to apply or, if later, 30 days after receiving notice of the right to make such election) under which the form of benefit previously elected is modified at a new annuity starting date to be changed to a single sum payment for the remaining value of the Participant's or Beneficiary's benefit under the Plan, subject to the other rules in this Article XVI (including Section 16.1(a)(i)) and applicable requirements of Code § 401(a), including spousal consent.

(iv) Special Rules Relating to Unpredictable Contingent Event Benefits and Plan Amendments Increasing Benefit Liability: During any period in which none of the presumptions under Section 16.5(a) apply to the Plan and the Plan's enrolled actuary has not yet issued a certification of the Plan's adjusted funding target attainment percentage for the Plan Year, the limitations under Section 16.1(a)(ii) and Section 16.1(b)(ii) shall be based on the inclusive presumed adjusted funding target attainment percentage for the Plan, calculated in accordance with the rules of Regulation § 1.436-1(g)(2)(iii).

(c) Special Rules Under PRA 2010:

(i) Payments Under Social Security Leveling Options: For purposes of determining whether the limitations under Section 16.1(a)(i) or 16.1(b)(i) apply to payments under a social security leveling option, within the meaning of Code § 436(j)(3)(C)(i), the adjusted funding

target attainment percentage for a Plan Year shall be determined in accordance with the "Special Rule for Certain Years" under Code § 436(j)(3) and any Regulation or other published guidance thereunder issued by the Internal Revenue Service.

(ii) Limitation on Benefit Accruals: For purposes of determining whether the accrual limitation under Section 16.1(b)(iii) applies to the Plan, the adjusted funding target attainment percentage for a Plan Year shall be determined in accordance with the "Special Rule for Certain Years" under Code § 436(j)(3) (except as provided under section 203(b) of the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010, if applicable).

(d) Interpretation of Provisions: The limitations imposed by this section of the Plan shall be interpreted and administered in accordance with Code § 436 and Regulation § 1.436-1.

16.6 Definitions: The definitions in the following Regulations apply for purposes of Sections 16.1 through 16.5: § 1.436-1(j)(1) defining adjusted funding target attainment percentage; § 1.436-1(j)(2) defining annuity starting date; § 1.436-1(j)(6) defining prohibited payment; § 1.436-1(j)(8) defining section 436 measurement date; and § 1.436-1(j)(9) defining an unpredictable contingent event and an unpredictable contingent event benefit.

16.7 Effective Date: The rules in Sections 16.1 through 16.6 are effective for Plan Years beginning after December 31, 2007.

IN WITNESS WHEREOF, GLOBE LIFE INC. has caused this Plan to be amended and restated, on this the 4th day of November, 2020, effective generally as of January 1, 2020 (except as otherwise provided herein).

GLOBE LIFE INC.

By: /s/ Frank M. Svoboda

Its: EVP and Chief Financial Officer

Attest:

By: /s/ Christopher T. Moore

Its: Corporate SVP, Associate Counsel
and Corporate Secretary

AMENDMENT SEVEN
TO THE
TORCHMARK CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Pursuant to Section 9.1 of the Torchmark Corporation Supplemental Executive Retirement Plan as established effective January 1, 2007 (the "Plan"), Globe Life Inc. (the "Company") hereby amends the Plan, effective November 1, 2020, as follows:

1. Section 2.2 is removed from the Plan and is replaced by new Section 2.19 which shall read as follows:

Plan Administrative Committee shall mean the committee appointed by the Compensation Committee of the Board pursuant to and having the responsibilities specified in Article 8 of the Plan.

2. The definitions in Article 2 of the Plan shall be renumbered to reflect the action in item Number 1 of this Amendment Seven.

3. All references in the Plan to the phrase "Administrative Committee" shall be removed and replaced with the phrase "Plan Administrative Committee."

4. All references in the Plan to the capitalized work "Committee" shall be removed and replaced with the phrase "Plan Administrative Committee."

5. Section 2.17 of the Plan is replaced in its entirety and shall read as follows:

Pension Plan shall mean the Globe Life Inc. Pension Plan, as restated effective January 1, 2020, and as amended from time to time in the future.

6. Section 2.18 of the Plan is replaced in its entirety and shall read as follows:

Plan shall mean the Globe Life Inc. Supplemental Executive Retirement Plan as set forth in its entirety in this document, and as this document may be amended from time to time in the future.

7. The phrase "Torchmark Corporation" is replaced by the phrase "Globe Life Inc." in Section 2.5 and Section 2.8 of the Plan.

8. The phrase "separation from service" is replaced with the phrase "Separation from Service" in Section 4.1 and Section 4.6(b) of the Plan.

9. New Section 4.2(h) is added to the Plan and shall read as follows:

(h) In lieu of the provisions set forth in Section 4.2(b) and Section 4.2(f), and in lieu of the age set forth in Section 5.1, the Compensation Committee, if requested in writing by the Company's CEO (or Co-CEOs, if applicable), shall have the discretion to, on a case by case basis, establish the early retirement reduction factors, the minimum age for benefit eligibility, the number of full and/or partial years for Vesting Service (as defined

in the Pension Plan), and the attained age necessary to be eligible for a pre-retirement death benefit, customized for each Employee who becomes a Participant on or after November 1, 2020, provided such customized provisions are set forth in the written minutes of the meeting of the Compensation Committee or by the unanimous written consent of the Compensation Committee at the time the Employee is designated as being eligible to participate in the Plan in accordance with Section 3.1 hereof. Any such customized provisions shall apply wherever the applicable section is referenced in the Plan.

10. Section 8.1 of the Plan is replaced in its entirety and shall read as follows:

Appointment and Removal of Plan Administrative Committee. The administration of the Plan shall be vested in a Plan Administrative Committee of at least three (3) persons who shall be appointed by the Compensation Committee, and may include persons who are not Participants in the Plan. A person appointed a member of the Plan Administrative Committee shall signify his acceptance in writing. The Compensation Committee may remove or replace any member of the Plan Administrative Committee at any time in its sole discretion; and any Plan Administrative Committee member may resign by delivering his written resignation to the Compensation Committee, which resignation shall become effective upon its delivery or at any later date specified therein. If at any time there shall be a vacancy in the membership of the Plan Administrative Committee, the remaining member or members of the Plan Administrative Committee shall continue to act until such vacancy is filled by action of the Compensation Committee.

Done this the 4th day of November, 2020.

Globe Life Inc.

By: /s/ Frank M. Svoboda
Its: EVP and Chief Financial Officer

CERTIFICATIONS

I, Gary L. Coleman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Globe Life Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Gary L. Coleman

Gary L. Coleman
Co-Chairman and Chief Executive
Officer

CERTIFICATIONS

I, Larry M. Hutchison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Globe Life Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Larry M. Hutchison

Larry M. Hutchison
Co-Chairman and Chief Executive
Officer

CERTIFICATIONS

I, Frank M. Svoboda, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Globe Life Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Frank M. Svoboda

Frank M. Svoboda
Executive Vice President and Chief Financial Officer

CERTIFICATION OF PERIODIC REPORT

We, Gary L. Coleman, Co-Chairman and Chief Executive Officer of Globe Life Inc., Larry M. Hutchison, Co-Chairman and Chief Executive Officer of Globe Life Inc. and Frank M. Svoboda, Executive Vice President and Chief Financial Officer of Globe Life Inc., certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of our knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2020

/s/ Gary L. Coleman

Gary L. Coleman
Co-Chairman and Chief Executive Officer

/s/ Larry M. Hutchison

Larry M. Hutchison
Co-Chairman and Chief Executive Officer

/s/ Frank M. Svoboda

Frank M. Svoboda
Executive Vice President and Chief Financial
Officer