



Globe Life – 2024 10-K & Q4 Analysis

Multiple red flags include heightened regulatory risks, deteriorating liquidity from excessive buybacks, operational deterioration, mounting legal costs.

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March 3, 2025 – On February 26, 2025, Globe Life released its 2024 10-K. While management conveyed that it was business as usual there are several red flags in the 10-K and accompanying earnings call.

- **Massive share buybacks were substantially funded by expensive debt.**
- **Policy acquisition cost growth continued to outpace premium growth.**
- **Lapse rates continued to climb.**
- **Agent growth slowed significantly, and agent counts shrank in December.**
- **The company saw rising legal costs and increased financial impact of litigation.**
- **Risk disclosures have been significantly expanded due to IT system weaknesses.**

This corroborates Viceroy's views that Globe Life's MLM-like operations are facing increasing headwinds from regulatory scrutiny and reputational problems. Operations are also beginning to suffer with life lapse rates increasing and policy acquisition costs continuing their upward trend.

Our previous reports on Globe Life are available at www.viceroyresearch.org.

The 2024 share buyback is unsustainable

Globe Life's 2024 share buybacks are unsustainable. The company repurchased 10.9m shares at a total cost of \$945.64m, three times as much as 2023. The increase in excess cash flows was largely due to statutory accounting changes at the subsidiary's state of domicile.

Previously funded by excess cash flows from subsidiaries, Globe Life largely funded by the issuance of a 450m 5.85% notes, among the most expensive debt in the structure¹. We question the rationale behind taking on expensive debt to buy back shares. This is supported by the removal of the following statement:

Excess cash flow at the Parent Company is primarily comprised of dividends received from the insurance subsidiaries less interest expense paid on its debt and other limited operating activities. **The majority of our share repurchases are made from excess cash flow after the payment of shareholder dividends.** Additionally, when stock options are exercised, proceeds from these exercises and

Figure 1 – Globe Life 2024 10-K Factset Blackline analysis

This is not sustainable. In 2024 Globe Life received \$664m in statutory dividends, far more than its limit before regulatory approval of \$455m. While Globe life has exceeded this soft limit before this is the first time in 5 years it has done so this extent. The company appears to acknowledge this reality with 2025 buyback guidance in the range of \$600m to \$650m and excess investment income forecasted to remain flat to down 15%.

Debt plugged the buyback-induced liquidity problems

Globe Life's massive buybacks have had knock-on effects to the company's liquidity. The company's debt increased by \$654m in 2024 driven by stock buybacks and liquidity needs across subsidiaries and ongoing corporate purposes. In addition to the 450m notes, Globe Life increased its commercial paper borrowings by \$100m and an \$80m increase in their term loans, both of which accrue interest at SOFR + 1.35%.

Note 12—Debt

On August 23, 2024, Globe Life completed the issuance of \$450 million principal amount of 5.85% Senior notes due September 15, 2034. Total proceeds received by the Parent Company from the issuance, net of the underwriters' discount, were \$445 million. **The proceeds were used for general corporate purposes, which included open market purchases of shares of its common stock under its share repurchase program.** On August 15, 2024, Globe Life amended its term loan agreement increasing the principal amount from \$170 million to \$250 million, an increase of \$80 million. The amendment extends the maturity date from November 11, 2024 to August 15, 2027.

Figure 2 – Globe Life 2024 10-K

¹ The balance was made up of excess cash flows from subsidiaries and proceeds from employee stock options.



Globe Life also significantly increased its FHLB borrowings by \$234m from \$138m to \$372m at 5.6% to meet liquidity requirements and offset liquidity tightness from buybacks. Increasing capital calls of \$239m from its LP investments further exacerbated the situation.

Policy acquisition cost growth outpaced premium growth

Globe Life’s amortization of acquisition costs continues to outpace premium growth.

Life policy acquisition cost (\$000's)					
Item	2024	2023	2022	2021	2020
Amortization of acquisition costs	356,223	327,426	298,841	276,584	263,914
growth %	9%	10%	8%	5%	
Premium and policy charges	3,261,347	3,137,244	3,027,824	2,893,930	2,748,930
growth %	4%	4%	5%	5%	

Figure 3 – Globe Life 2024 Life Policy Acquisition Cost analysis

This is likely attributable to increased policy acquisition costs due to Globe Life’s outdated approach to almost every aspect of its business. The D2C division is responsible for lead generation and rising advertising costs for the rest of Globe Life’s insurance subsidiaries and their 11% net sales decline was attributed to lower customer responsiveness.

Now, as we've mentioned previously, the continued decline in sales is primarily due to lower customer inquiries, as we have reduced our marketing spend on certain campaigns that did not meet our profit objectives as a result of higher distribution cost. Our focus in this area is having a positive impact on our overall margin, as we will continue to focus on maximizing the underwriting margin dollars on new sales by managing the rising advertising and distribution costs associated with acquiring new business.

Figure 4 – Globe Life Q4 2024 earnings call

The continued weakness in this division shows reflects the company’s outdated marketing strategy’s diminishing returns.

Lapse rates continue to increase

Globe Life’s Life Q4 lapse rates across its divisions increased or remained flat in 2024, continuing a broader increase despite continued assurances by management that these were well within expectations

Q4 lapse rate analysis					
	2024	2023	2022	2021	2020
American Income Life					
First Year	9.36%	8.71%	8.83%	8.23%	7.55%
Renewals	2.62%	2.67%	2.55%	1.90%	1.74%
Total	3.83%	3.67%	3.56%	2.95%	2.70%
D2C					
First Year	20.00%	17.98%	16.99%	15.83%	15.59%
Renewals	2.17%	2.07%	2.14%	1.90%	1.48%
Total	3.40%	3.30%	3.40%	3.39%	3.30%
Liberty National					
First Year	8.39%	9.07%	9.01%	8.88%	8.31%
Renewals	3.29%	3.06%	2.85%	2.47%	2.20%
Total	4.36%	4.51%	4.13%	3.76%	3.25%

Figure 5 – Globe Life Q4 2024 lapse rate analysis

Our conversations with former Globe Life agents indicated a shrinking pool of harder-to-sell leads across divisions and geographies. Agencies are increasing reliant on selling excess coverage to existing policyholders, a practice dubbed Policy Owner Service (POS) to meet their targets.

Agent growth slowed and agent counts shrank in December



Globe Life reports its producing agent count as an average of the weekly counts during the period. While Globe Life’s 10-K shows an agent growth of 9.44% during the year, the Q4 2024 Agent Count release on their website shows that agent counts at American Income Life shrank significantly during December.

Globe Life Agent Count						
Division	Agents			Change		
	2024	2023	2022	2024	2023	2022
10-K figures						
American Income Life	11,741	10,579	9,444	10.98%	12.02%	0.31%
Liberty National	3,664	3,229	2,775	13.47%	16.36%	-1.03%
Family Heritage	1,339	1,334	1,210	0.37%	10.25%	4.58%
12/23 figures						
American Income Life	11,198	10,725	9,316	4.41%	15.12%	-1.05%
Liberty National	3,769	3,392	3,073	11.11%	10.38%	9.59%
Family Heritage	1,493	1,349	1,337	10.67%	0.90%	15.56%

Figure 6 – Globe Life Agent Count analysis

Liberty National Division					American Income Life Division				Family Heritage Division			
	First year	Renewal year	Total	Quarter avg ⁽¹⁾	First year	Renewal year	Total	Quarter avg ⁽¹⁾	First year	Renewal year	Total	Quarter avg ⁽¹⁾
12 24	2,676	1,093	3,769	3,743	7,731	3,467	11,198	11,926	863	630	1,493	1,512
9 24	2,678	1,063	3,741	3,794	8,501	3,453	11,954	12,031	891	639	1,530	1,429
6 24	2,796	1,048	3,844	3,700	8,646	3,348	11,994	11,869	774	621	1,395	1,361
3 24	2,674	1,043	3,717	3,419	8,465	3,251	11,716	11,139	696	641	1,337	1,295

Figure 7 – Globe Life 2024 Agent Count

The Agent Count document shows that AIL’s drop in agent counts cannot be attributed to seasonality: most of AIL’s agent count increases occurred in Q1 and Q2 2024 with Q4 2024 recording only a 4.41% agent count increase YoY.

In December 2024 Viceroy reported the apparent closure of several key AIL agencies including Arias Agencies and Giglione-Ackerman. Their offices had been listed as available to lease, and some agencies were selling office furniture on social media sites².

Regulatory investigations are still ongoing with no end in sight

Globe Life remains entangled with multiple regulatory authorities including the SEC, DOJ and EEOC but has declined to give investors any clarity about the specifics of investigations or allegations.

- **DOJ:** The DOJ inquiry, now over a year old, concerns Globe Life and AIL’s sales practices. We have previously highlighted how AIL uses high-pressure, boiler room sales tactics which in some cases are in contravention of insurance regulations. Agent-produced training resources are replete with hard-sell tactics and bait-and-switch sales channels like will kits and child safe kits.
- **SEC:** The SEC inquiry is ongoing and, according to Globe Life, concerns “allegations made in short seller reports”. This phrasing is another way of saying “short sellers were probably on to something, and we’d rather not say what it was”. Viceroy and others have raised concerns about Globe Life’s accounting, in particular its treatment of agent receivables which we believe are uncollectible.
- **EEOC:** The company’s conciliation process with the EEOC has failed, which is no surprise. Globe Life relies on a churn-and-burn agent recruitment model that would implode if the company correctly categorized its agents as employees. Even paying the legal minimum wage would immediately upend Globe Life’s business model.
- **DOL:** The company finally acknowledged the DOL inquiry on its Q4 2024 earnings call though makes no mention of it in the 10-K. Co-CEO Matt Darden referred to the DOL’s inquiries and the company’s responses to it as ongoing.

² <https://viceroyresearch.org/2024/12/05/globe-life-adios-arias/>



As these investigations continue, some for more than a year, Globe Life’s “nothing to see here” rhetoric seems increasingly flimsy.

Several shareholder and former agent lawsuits have been filed.

Globe Life now faces several shareholder and former agent lawsuits in multiple jurisdictions. Any of these could have a potentially significant effect if a court were to rule on whether agents are employees.

Agent lawsuits against AIL allege a workplace culture of abuse, bullying, sexual and racial discrimination, harassment, retaliation and in extreme cases, assault. These allegations have become so numerous and widespread that they have become impossible to ignore.

The cost of these regulatory and legal actions has caused Globe Life’s 2024 legal expenses to soar to over triple their 2023 levels. The company’s tactic of heavy-handed denial and retaliation against former agents may have proven effective so far but it is increasingly costly, and we believe will remain a drag on earnings.

Legal expense analysis (\$000's)					
Year	2024	2023	2022	2021	2020
Legal Proceedings	21,575	900	2,496	8,139	3,275
Legal Costs	30,478	15,335	12,056	15,494	11,256
Total	52,053	16,235	14,552	23,633	14,531

Figure 8 – Globe Life 2024 Legal Expense analysis

Legal costs typically refer to expenses incurred due to legal activities while Legal Proceedings refers to actual litigation, investigations and lawsuits and represents their potential financial impact.

This is a clear sign the company expects significantly more legal headwinds going forward.

Significantly expanded risk disclosures

Globe Life has significantly expanded its risk disclosures to retroactively acknowledge material weaknesses in its business model.

Agent misconduct

Globe Life appears to finally acknowledge that a life insurance MLM heavily dependent on high-pressure sale tactics is a breeding ground for misconduct. Their new risk disclosure implies the obvious: agent misconduct has gotten so widespread that it is now a potentially significant cost for the business.

Extensive federal and state laws regulate our business, imposing certain requirements that independent sales agents must follow in dealing with clients. Misconduct of our independent sales agents could result in violations of law by, or claims against, us or our subsidiaries. From time to time, we are subject to private litigation as a result of alleged misconduct by independent agents. We employ controls and procedures designed to prevent and detect agent misconduct; however, such controls and procedures cannot be 100% effective in all cases. Instances of misconduct or non-compliance or violations of laws or regulations by our independent sales agents could result in adverse findings in either examinations or litigation and subject us to sanctions, monetary liabilities, restrictions on or loss of the operation of our business or reputational harm, any of which could have a material adverse effect on our business, financial condition or results of operations.

Figure 9 – Globe Life 2024 10-K

Cybersecurity

As we have published multiple times, Globe Life’s data security measures would be laughable if they weren’t tasked with storing sensitive client information.

- The Private Health Information records of Globe Life customers was freely accessible online with universal login credentials distributed to all agents. The credentials had remained unchanged for over four years and granted access to a database with detailed policyholder information.
- AIL captive agencies had publicly accessible spreadsheets with private policyholder information including their contact details, policy numbers, annualized premiums and notes by agents on health issues including mental health and prescriptions.



- The company failed to properly disclose a breach of the data of 850,000 customers according to a recent class action complaint filed by a Globe Life customer. She alleges that after she found out about the leak from a third party, her details were used to fraudulently apply for a line of credit.

To reflect this total data security failure Globe Life has updated its data security disclosures to reflect the following:

- Warning that modernizing its systems will be an expensive endeavour including a baseless mention of AI. We question how much AI is required to password-protect a spreadsheet.

The failure to maintain effective and efficient information systems at the Company could adversely affect our financial condition and results of operations.

Our business is highly dependent upon the internet, third-party service providers, and information systems to operate in an efficient and resilient manner. We gather and maintain data for the purpose of conducting marketing, actuarial analysis, sales, and policy administration functions. Our ability to modernize and maintain our information technology systems and infrastructure requires us to commit significant resources and effective planning and execution. This modernization includes the responsible and secure use of emerging technologies like artificial intelligence.

Figure 10 – Globe Life 2024 10-K

- To avoid admitting they have full control over their agencies, Globe Life has added disclosure that they “engage” with agency offices” to protect information. Based on our findings, agencies are typically responsible for their own IT infrastructure and security with few uniformities.

In addition, cybersecurity is incorporated into our third-party risk management program. We assess the ability of our vendors as appropriate to adequately protect information, which includes requiring agreements that address cybersecurity. We periodically review and assess vendors' adherence to these agreements and review for information security (including cybersecurity) incidents experienced by our third-party vendors. With respect to our independent sales agents, we require each agent to execute an agent agreement containing terms governing the ownership, use and confidentiality of policyholder and proprietary information. We also engage with agency offices to support their use of measures and safeguards to protect information.

Figure 11 – Globe Life 2024 10-K

- Globe life’s Chief Information Security Officer now reports to their General Counsel and CRO, indicating the expectation that the company’s abysmal data security is likely to lead to future litigation.

Risk Management and Strategy

We have implemented a comprehensive Enterprise Risk Management (“ERM”) process to identify, assess and manage risks related to our overall organization, including material risks from cybersecurity threats. Our ERM process takes a holistic view of our specific risks and our strategy to anticipate and manage possible risks. Our Executive Vice President, General Counsel and Chief Risk Officer (“CRO”) oversees our ERM program and execution of our risk strategy, including as it relates to cyber risk. The Chief Information Security Officer (“CISO”), who reports to the General Counsel and CRO, leads our cyber risk management and strategy and the Information Security Department.

Figure 12 – Globe Life 2024 10-K



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Globe Life, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

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