Globe Life Inc.
Second Quarter Earnings Release Conference Call

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PRESENTATION

Stephen Mota — Vice President, Investor Relations, Globe Life Inc.

Thank you. Good morning, everyone. Joining the call today are Frank Svoboda and Matt Darden, our Co-Chief Executive Officers, Tom Kalmbach, our Chief Financial Officer, Mike Majors, our Chief Strategy Officer, and Brian Mitchell, our General Counsel.

Some of our comments or answers to your questions may contain forward-looking statements that are provided for general guidance purposes only. Accordingly, please refer to our earnings release, 2025 10-K, the subsequent forms 10-Q on file with the SEC.

Some of our comments may also contain non-GAAP measures. Please see our earnings release and website for discussion of these terms and reconciliations to GAAP measures.

I will now turn the call over to Frank.

Frank Svoboda — Co-Chief Executive Officer, Globe Life Inc.

Thank you Stephen, and good morning everyone.

In the second quarter, net income was $288 million, or $3.65 per share, an increase of 20 percent over the $3.05 per share a year ago.

Net operating income for the quarter was $285 million, or $3.61 per share, an increase of 10 percent over the $3.27 per share a year ago.

We are pleased to see continued strong results in our operations. As we have said many times over the years, our business model is resilient and able to generate earnings growth regardless of the economic environment, as clearly demonstrated by Globe Life having produced double-digit net operating income per-share growth in eight of the last nine quarters.

On a GAAP-reported basis, return on equity through June 30th is 18.4 percent, and book value per share is $70.18. Excluding accumulated other comprehensive income, or AOCI, return on equity is 14.3 percent, and book value per share, as of June 30th, is $100.04, up 11 percent from a year ago.

Now, in our insurance operations,

Total premium revenue in the second quarter grew 7 percent over the year-ago quarter. For the full year, we expect total premium revenue growth to be in the range of 6.5 percent to 7.0 percent.

Life premium revenue for the second quarter increased 3 percent from the year-ago quarter to $861 million. Life underwriting margin was $359 million, up 6 percent from a year ago.

For the year, we expect life premium revenue to grow between 2.5 percent and 3.0 percent. As a percent of premium, life underwriting margin was 42 percent, up from 41 percent in the year-ago quarter.

While we anticipate life underwriting margin to be between 43 percent and 45 percent for the full year 2026, we do expect it to be over 50 percent in the third quarter, due to the anticipated impact of assumption updates, and between 41 percent to 42 percent for the fourth quarter. Tom will discuss this more in his comments.

In health insurance, premium revenue grew 16 percent to $437 million, and health underwriting margin was up 1 percent, to $99 million.

For the year, we expect health premium revenue to grow in the range of 14 percent to 16 percent. This is due to premium rate increases on our Medicare Supplement business, as well as strong sales in both our United American and Family Heritage divisions.

As a percent of premium, health underwriting margin was approximately 23 percent in the second quarter, down from 26 percent in the year-ago quarter.

For the full year, we anticipate health underwriting margins to be between 23 percent and 27 percent.

Administrative expenses were $91 million for the quarter, an increase of approximately 6 percent over the second quarter of 2025. As a percent of premium, administrative expenses were 7 percent.

For the full year, we expect administrative expenses to be approximately 7.3 percent of premium, consistent with 2025.

As we mentioned last quarter, over the long term, we anticipate that expanded implementation of AI applications across the Company will help lower this ratio. We believe Globe Life is positively positioned to benefit from AI due to the high volume nature of our business, including the number of applications received and policies issued, calls received by our customer service representatives, and the number of plans reviewed and paid.

Of course, these AI-driven improvements will not be limited to administrative expenses. We also expect enterprise-wide benefits, including those that will drive sales growth by helping our distribution operate more efficiently and effectively, and those that improve our underwriting and other sales support processes.

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

Matt Darden — Co-Chief Executive Officer, Globe Life Inc.

Thank you, Frank.

Now I will discuss the trends at each distribution, starting with our exclusive agencies.

At American Income Life, life premiums were up 5 percent over the year-ago quarter to $466 million, and the life underwriting margin was up 4 percent to $214 million.

Net life sales were $95 million, down 2 percent from a year ago, due primarily to a decline in the agent count. The average producing agent count for the second quarter was 11,391, down 7 percent from a year ago, but this is up 3 percent since the end of the first quarter.

As a reminder, compensation adjustments, designed to improve agent recruiting, and new agent retention, were implemented at the beginning of the second quarter. As we indicated on the previous earnings call, these compensation changes are expected to have a positive impact on agent count in the second half of this year.

I am pleased to see early signs of improvement with this sequential growth in agent count during the second quarter. As I have said many times, agent count growth is a precursor to sales growth. During the second half of the year, we expect to see mid-single-digit growth in both agent count and life sales at American Income.

At Liberty National, the life premiums were up 3 percent over the year-ago quarter to $101 million, and the life underwriting margin was up 10 percent to $37 million. Net life sales were $26 million, up 6 percent from the year-ago quarter, due primarily to agent count growth.

Net health sales were $7 million, down 15 percent from the year-ago quarter, as more emphasis has been placed on life business in recent periods. We are currently implementing changes to the sales presentation to place additional emphasis on health sales.

The average producing agent count for the second quarter was 4,194, up 8 percent from a year ago. And I am excited about the strong life sales and agent count growth we are seeing, and I am confident that this momentum will carry forward.

At Family Heritage, here, the health premiums increased 9 percent of the year-ago quarter to $126 million, and the health underwriting margin increased 10 percent to $45 million.

Net health sales were up 4 percent to $31 million, driven by increased agent count. The average producing agent count for the second quarter was 1,608, up 7 percent from a year ago.

The ongoing emphasis on developing agency middle management has really solidified this division’s performance. I believe Family Heritage is well positioned for sustainable growth going forward.

Now in our Direct to Consumer Division at Globe Life, the life premiums were down approximately 1 percent over the year-ago quarter to $244 million, while life underwriting margin increased 10 percent, to $76 million. Net life sales were $27 million, down 15 percent from the year-ago quarter.

Now DTC is in a transition period, due to a shift in the way consumers search online for goods and services, including life insurance. The increased utilization of AI by consumers has resulted in a reduction in paid search volume from internet marketing. We have initiatives underway to adapt to this change and position digital content to be visible to and easily interpreted by AI assistants.

This shift is similar in many ways to the initial move to digital marketing, away from direct mail many years ago, when consumers began to utilize the internet. And I am confident that DTC will successfully make this transition as we continue to meet the consumer where they want to be met.

In addition, as we have discussed before, the value of this division extends well beyond DTC sales, due to the support it provides to our agencies. And we still anticipate that we will meet agency demands by generating in excess of 1 million leads this year. We have seen improved conversion of the direct to consumer leads shared with our agencies, which has also led to margin improvement. And we will continue to optimize margin as we navigate changes in online advertising.

Now on to United American. Here, the health premiums increased 29 percent over the year-ago quarter to $211 million, and the health underwriting margin was $11 million, down $1 million from the year-ago quarter.

Net health sales were $28 million, a 10 percent increase over the year-ago quarter.

Sales continue to be very strong in the Medicare Supplement business and due primarily to tailwinds from the high volume of people turning 65, movement of Medicare beneficiaries from Medicare Advantage to Medicare Supplement, and the rate increases implemented during the second quarter. Once again, I would note that we do not market Medicare Advantage plans.

As a reminder, the UA General Agency includes both individual and group business. The decline in health margin as a percent of premium from the year-ago quarter at UA was primarily driven by the group business.

As you may recall, we announced the acquisition of Evry Health a few years ago. Evry is included in the United American Division as they market group health insurance through brokers. While Evry is immaterial to our overall financial results, they have generated enough recent sales activity to have an impact on UA health margin trends.

For the full year 2026, we expect Evry sales to be approximately $50 million. As a start-up, they do not yet have the scale to meet our target margins, but we anticipate, as they continue to grow sales and, thus, premium, they will ultimately contribute to UA health margins as they achieve scale and generate a credible block of business. Excluding the impact of Evry, the UA health margin as a percent of premium would have been approximately 9 percent in the second quarter.

Now I would like to move on to projections, based on what we have seen for the first half of 2026.

As I mentioned earlier, we expect to see mid-single-digit growth at AIL during the second half of the year for both average producing agent count and life sales. For Liberty National and Family Heritage, we expect the average producing agent count growth to be low double digits for the full year 2026.

Net life sales at Liberty National and Direct to Consumer for the full year 2026 are expected to be as follows: Liberty National, low double-digit growth; Direct to Consumer, a single-digit decline.

Net health sales for the full year 2026 are expected to be as follows: Liberty National, slightly down; Family Heritage, low double-digit growth; and United American, 30 percent to 35 percent growth.

I will now turn the call back to Frank.

Frank Svoboda Globe Life Inc. — Co-Chief Executive Officer

Thanks, Matt.

We will now turn to the investment operations.

Excess investment income, which we define as net investment income, less only required interest, was $38 million, up 10 percent from the year-ago quarter.

Net investment income was $294 million, up 4 percent, while average invested assets grew 2 percent. Required interest grew 3 percent, slightly lower than the 4 percent growth in average policy liabilities over the year-ago quarter.

For the full year, we expect both net investment income and required interest to grow around 4 percent, resulting in excess investment income growth of approximately 7 percent.

Now regarding our investment yield.

In the second quarter, we invested $399 million in fixed maturities, primarily in the industrial and utility sectors. These investments were at an average yield of 6.27 percent, an average rating of A, and an average life of 36 years.

We also invested approximately $91 million in commercial mortgage loans and other long-term investments with debt-like characteristics. These non-fixed maturity investments are expected to produce additional cash yield over our fixed maturity investments, while still being in line with our overall conservative investment philosophy.

In the second quarter, the earned yield on our total long-term invested assets, which include our fixed maturity, commercial mortgage loan, and other long-term non-fixed maturity investments, was 5.51 percent.

For the full year, we expect the average yield earned on our total long-term investments will be approximately 5.5 percent. For the fixed maturity portfolio, we anticipate the earned yield for 2026 will be around 5.31 percent. While we do own some floating rate investments, they are well matched with floating rate liabilities on the balance sheet.

Now regarding the investment portfolio.

Invested assets are $22.1 billion, including $19.3 billion of fixed maturities at amortized cost. Of the fixed maturities, $18.8 billion are investment grade with an

average rating of A. Overall, the total fixed maturity portfolio is rated A-, same as a year ago.

Of our total investment portfolio, only 1 percent is in senior direct lending and asset-based finance, combined, and another approximately 1 percent is in traditional private placements.

Our fixed maturity investment portfolio has a net unrealized loss position of $1.4 billion, due to current market rates being higher than the book yields on our holdings. As we have historically noted, we are not concerned by the unrealized loss position, as it is mostly interest rate-driven, and currently relates entirely to bonds with maturities that extend beyond 10 years. We have the intent and, more importantly, the ability to hold our investments to maturity.

Bonds rated BBB comprise 41 percent of the fixed maturity portfolio, compared to 44 percent from the year-ago quarter. This percentage is at its lowest level since 2003. As we have discussed on prior calls, the BBB securities we acquire generally provide the best risk-adjusted, capital-adjusted returns, due in part to our ability to hold securities to maturity, regardless of fluctuation in interest rates or equity markets.

That said, our allocation of BBB-rated bonds has declined over the past few years, as we have found better risk-adjusted, capital-adjusted value in higher rated bonds, given the narrowing of corporate spreads. While the concentration of our BBB bonds might still be a little higher than some of our peers, remember that we have little or no exposure to other higher risk assets.

Below-investment-grade bonds remain near historical lows at $516 million, compared to $503 million a year ago. The percentage of below investment grade bonds to total fixed maturities is just 2.7 percent, consistent with year-end 2025. The total exposure to both BBB and below investment grade securities as a percent of our total equity, excluding AOCI, is at its lowest level in over 25 years.

Due to the long duration of our fixed maturity liabilities, we predominantly invest in long-dated assets. As such, a critical and foundational part of our investment philosophy is to invest in entities that can survive through multiple economic cycles. While there may be uncertainty as to where the US economy is headed, we are well positioned to withstand a significant economic downturn due to holding historically low percentages of invested assets in BBB and below investment grade bonds as a percentage of equity. In addition, we have very strong underwriting profits and long-dated liabilities, so we will not be forced to sell bonds in order to pay claims.

With respect to our anticipated investment acquisitions for the remainder of the year, at the midpoint of our guidance, we assume investment of approximately $550 million to $600 million in fixed maturities at an average yield between 6.0 percent and 6.1 percent, including the expected investments in commercial mortgage loans and other long-term investments with debt-like characteristics, we expect to invest approximately $700 million to $800 million across all asset classes at an average yield of 6.3 percent to 6.5 percent.

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

Tom Kalmbach — Chief Financial Officer, Globe Life Inc.

Thanks Frank.

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

During the quarter, the Company repurchased approximately 1.1 million shares of Globe Life Inc. common stock for a total cost of $175 million, at an average share price of $154.28.

Including shareholder dividend payments of $25 million, the Company returned approximately $200 million to shareholders during the second quarter of 2026.

At the end of the second quarter, the Company amended its term loan, increasing the principal balance from $250 million to $450 million, an increase of $200 million, and extended the maturity date to June 2029. Additionally, the Company's credit facility was amended at the end of the second quarter to extend its maturity date to June 2031.

The term loan and the credit facility provide additional sources of Parent liquidity. We intend to use the excess proceeds from the term loan for general corporate purposes, including reducing commercial paper balances, increasing share repurchases, and other Parent needs.

The Parent ended the quarter with liquid assets of approximately $110 million. We anticipate ending the year with liquid assets near the top end of our target range of $50 million to $60 million.

The Parent will also generate excess cash flows over the remainder of 2026. The Parent Company's excess cash flow, as we define it, results primarily from dividends received by the Parent from its subsidiaries, less the interest paid on debt, and is available to return to its shareholders in the form of dividends and through share repurchases.

Utilizing a portion of the Parent's liquid assets at the end of the quarter, the excess proceeds from our increased term loan and excess cash flow expected to be generated for the second half of the year, we anticipate the Parent will return to shareholders over the remainder of the year approximately $250 million to $270 million (corrected to $350 million to $370 million) in the form of dividends and share repurchases, after meeting the anticipated needs of the Parent.

We continue to invest in our growth through making investments in new business, technology, and the insurance operations. It should be noted that the cash received by the Parent Company from our insurance operations is after our subsidiaries have made these substantial investments and acquired new long-duration assets to fund their future cash needs.

We will continue to use our cash as efficiently as possible. We still believe that share repurchases provide the best return or yield to our shareholders over other available alternatives. Thus, we anticipate share repurchases will continue to be the primary use of Parent's excess cash flow after the payment of shareholder dividends.

For the full year, we anticipate distributing approximately $95 million to our shareholders in the form of dividend payments. In addition, we anticipate share repurchases will be in the range of $670 million to $700 million. This reflects a $100 million increase at the midpoint of our

range from what we indicated on our last call, given the additional term loan proceeds.

As a reminder, our current excess cash flow estimates for 2026 do not anticipate any additional cash flows to the parent resulting from the establishment of the new Bermuda entity in 2025.

Now with regards to capital levels at our insurance subsidiaries.

Our goal is to maintain capital within our insurance operations at levels necessary to support our current ratings.

Globe Life targets a consolidated company action-level RBC ratio in the range of 300 percent to 320 percent. Although this target range is lower than many of our peers, it is appropriate, given the stable premium revenue from the large number of in-forced policies, the nature of our protection products with benefits that are not sensitive to interest rates or equity markets, our conservative investment portfolio, and strong, consistent underwriting margins, which result in consistent statutory earnings at our insurance companies.

As of the end of 2025, our consolidated RBC ratio for our US subsidiaries was 316 percent, which provides approximately $95 million of excess capital above what is needed to meet our minimum capital target level of 300 percent.

For 2026, we intend to maintain our consolidated RBC within targeted range of 300 percent to 320 percent.

Now I would like to update you on the progress we are making with our Bermuda subsidiary.

We are pleased with our progress so far as our lead regulator in Nebraska approved reciprocal jurisdiction in the second quarter for Globe Life Re, the Company's Bermuda reinsurance affiliate. Given this approval, we are now in the process of seeking reciprocal jurisdiction approval from Indiana, American Income's state of domicile, and we will provide you with an update on our next call.

In addition, consistent with our business plan, we expect to complete a new reinsurance cession in the third quarter, which will reinsure a portion of new business and in-force policies issued by our subsidiaries to Globe Life Re.

Now with regards to our policy obligations for the current quarter.

For the second quarter, life policy obligations as a percent of premium improved from 36.7 percent in the year-ago quarter to 34.3 percent, favorable to management's estimates and consistent with the continued favorable trends in mortality.

Health policy obligations as a percent of premium were 56.8 percent compared with 53.3 percent from the year-ago quarter; this was higher than our estimates. The higher health obligation ratio was driven by a number of factors, including Medicare Supplement claims related to prior periods, including an industry-wide correction that CMS made to physician reimbursement rates, higher loss ratios at Evry due to an adverse fluctuation in high-severity claims; and an adverse fluctuation in the quarter related to cancer claims at Liberty National Division. We expect the claims experience to moderate during the remainder of the year.

As a reminder, we intend to update our life and health assumptions annually in the third quarter and, thus, we have made no

changes to our long-term assumptions this quarter.

Now with respect to our 2026 guidance.

For the full year 2026, we estimate net operating earnings per diluted share will be in the range of $15.55 to $15.95, representing 8.5 percent earnings-per-share growth at the midpoint of the range. This increase from our prior guidance is primarily due to improved life underwriting margins and excess investment income, offset by higher financing costs and the reduced impact of share repurchases, due to the higher share price.

The guidance range reflects potential remeasurement gains from the third quarter life and health assumption updates in the range of $110 million to $130 million, with the life assumption range update -- sorry, with the life assumption update in the range of $90 million to $100 million and the health assumption update in the range of $20 million to $30 million.

The midpoint of the range is higher than last quarter's call, due to continued refinements in estimates, with the increase primarily related to the health assumption update, which was previously anticipated to be relatively small.

Given the estimated benefit from assumption updates in the third quarter, we anticipate third quarter life underwriting margin as a percent of premium will be in the range of 52 percent to 53 percent, and that third quarter health underwriting margin as a percent of premium will be in the range of 29 percent to 32 percent.

We anticipate recent favorable trends will continue through 2026 for the full year, normalized life underwriting margin as a percent of premium, which excludes the impact of the third quarter assumption update, between 41 percent and 42 percent at the midpoint of our guidance.

As Frank previously noted, we expect health premium to grow in the range of 14 percent to 16 percent for the full year. As mentioned on the previous call, this health premium growth is benefitting not only from strong growth in Medicare Supplement sales in 2025 and anticipated in 2026, but also from approximately $65 million additional premium from approved rate increases on individual Medicare Supplement policies that will be received throughout 2026, primarily in the last three quarters of the year.

In our full year guidance, we anticipate United American's premium growth to be in range -- in the range of 25 percent to 35 percent, and the health margin as a percent of premium to be approximately 7 percent for the second half of the year.

As Matt previously discussed, United American's health margin includes our group health business, including Evry. When excluding Evry, United American's health margin as a percent of premium for the second half of the year will be in the range of 8 percent to 9 percent.

Finally, I do want to point out that the midpoint of our guidance normalized EPS growth, which removes the impact of assumption updates to both 2025 and 2026, is estimated to be between 9 percent and 10 percent. At the midpoint of our guidance, the projected three-year compound annual growth rate of normalized EPS is approximately 11 percent.

Those are my comments. I will now turn the call back to Matt.

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Thanks Tom.

Those are our comments, and we will now open up the call for questions.

Question & Answer

Wilma Burdis — Raymond James

Hey. Good morning. Could you just give us a little bit more color on how you see it playing out as far as adjusting the sales and advertising environment at DTC to AI? What are some of the options? Just maybe how long you see it playing out? Thanks.

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Yeah. There has been a lot discussed recently about just the quantity of search going down and the volume of paid search. And so what is happening is, is that it is really just bidding up the price for paid search. And so, as we have discussed before, we are going to be disciplined on our spend and make sure that we maintain our margin, and we are not just going to chase sales that do not meet our profitability targets.

And so what we are seeing out there is that as the paid search has moved to AI-generated search, you are also seeing other platforms such as Instagram and Facebook coming on stronger with advertising. So, as I had mentioned in my prepared remarks, that is just something that we are navigating -- of just going to different avenues for advertising that is online. And that is not something unique to Globe Life or, frankly, even the life insurance industry. It is just the overall dynamics that are happening on online advertising.

Wilma Burdis Raymond James — Analyst

And can you just talk a little bit more about the share repurchases? Because I think the pace in the first half has been pretty high, just talk a little bit about that and how you see that continuing and playing out for the rest of the year. Thanks.

Tom Kalmbach Globe Life Inc. — Chief Financial Officer

Yes. Thanks, Wilma. It is Tom. I did want to correct a statement that I made, is we would anticipate the Parent will return to shareholders, over the remainder of the year, approximately $350 million to $370 million. I think I said $250 million to $270 million, but that should be $350 million to $370 million.

Over the course of the year, we do expect to have share repurchases in that $670 million to $700 million range for the full year. And we would expect to pace the share repurchases pretty much pro rata during the third quarter and the fourth quarter.

Frank Svoboda Globe Life Inc. — Co-Chief Executive Officer

Yeah. And Wilma, I think the one thing that I would add, obviously, as Tom mentioned in his comments, is higher than what we had anticipated as of the -- in our last call. And we are using a portion of the proceeds from the increase in the term loan to

increase the amount of the buybacks over the course of the year.

We really wanted to kind of lean in on the first half of the year, given some of the favorable pricing in our share price that we had. We wanted to -- so we were a little bit over 50 percent on the first half of the year, and then this will bring us to – we will be just a little bit more in the first half than we will have in the second half.

Wilma Burdis Raymond James — Analyst

Okay. Thank you. That definitely helped. Appreciate it.

Ryan Krueger KBW — Analyst

Hey. Thanks. Good morning. Can you quantify the potential capital impact of the planned cession to Bermuda in the third quarter? And then, I guess, at what point would you expect to get that capital up to the holding company? Would that be more next year?

Tom Kalmbach Globe Life Inc. — Chief Financial Officer

Yeah. On this next reinsurance cession, the real benefit of increasing or reinsuring some of the in-force business is to balance out our ability to reinsure new business in the Bermuda entity. So we do not really expect any capital benefit in 2026 from that transaction. And we would expect to see some benefit in 2027, but not likely the full benefit that we have communicated on prior calls in 2027. That would emerge over a longer period of time of the business plan, so the next three to five years.

Ryan Krueger KBW — Analyst

Got it. And then, I guess, on the health side, I guess I am a little surprised that you have increased the expectation for remeasurement gains and the assumption review given, I guess, the weaker claims experience this quarter. Can you give some more color on where that is coming from? Maybe It is a different area than you had the claims weakness?

Tom Kalmbach Globe Life Inc. — Chief Financial Officer

Yeah. The assumption update on health is primarily driven by American Income Life, Family Heritage, and Liberty National. And on the Liberty National claims, we did see some higher cancer claims this quarter, but we really see that as a fluctuation and not a continuing trend, a morbidity trend for Liberty National. So as we look at those assumptions, the predominant driver for assumption updates is improved morbidity that we have seen over the past few years.

Ryan Krueger KBW — Analyst

Thank you.

Wes Carmichael — Wells Fargo

Hey. Thank you. Good morning. So I had a question on back to the buybacks or capital management. But the stock's done better recently, maybe outside of this morning. But does that change the outlook for capital deployment looking forward to 2027? I guess, does it impact your willingness at all to look towards M&A? And are there any

interesting acquisition opportunities out there?

Frank Svoboda Globe Life Inc. — Co-Chief Executive Officer

Yeah. I would say, Wes, that I think, as we think about buybacks as a strategy as a whole, it does not -- the higher share price does not deter us from being willing to continue to buyback our shares. And we' will continue to have that being a predominant use of that excess cash flows that we have, absent of better alternatives.

I mean, we will look at, and we will continue to look at M&A opportunities. We are, again, very committed to growing and confident in our ability to grow our organization organically. But if we could find the right opportunity that fits in with our strategy, fits in with our marketplace and the products, and has a distribution that we can grow, that is really critical for us is to be able to have some ability to grow the business. We would definitely look at those opportunities, and we continue to explore those.

But in the meantime, we will continue -- we feel very comfortable that the current share price is still below what we think is the intrinsic value of the organization, and so it is a good use of the shareholder money.

Wes Carmichael Wells Fargo — Analyst

Thanks. And my follow-up was on American Income. Just looking at lapses there, I think the first year lapses ticked down sequentially, but renewal lapses maybe remain a little bit elevated relative to historical trends. So wondering if you think, maybe, that is a better run rate going forward, or maybe just a couple of quarters of deviation from the longer term trends.

Tom Kalmbach Globe Life Inc. — Chief Financial Officer

Yeah. We were really pleased to see those first year lapses at American Income come down, back to kind of where they have been. And renewal lapses are a little bit higher than they were, pre-pandemic, and we do kind of see that as continuing to be in that range, right around that range. So I think that is a good baseline.

Wes Carmichael Wells Fargo — Analyst

Thank you.

Joel Hurwitz Dowling & Partners — Analyst

Hey. Good morning. I wanted to start on the life sales trends and particularly American Income. The growth has been coming in below sort of your outlook. Do you think that is cost-of-living pressures emerging there with your targeted consumer? Or is it largely just the agent count and sort of the ramp of new agents?

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Yeah. No. I do not think It is economy driven. I do think it is agent count driven. And we have mentioned before the agent count has not been where we wanted it to be from a growth perspective over the last few quarters, but we are seeing that turn around here in Q2. And we anticipate that

Q3 and Q4, as I said in my comments, to be in that mid-single-digit growth rate.

But what we see from an overall productivity perspective on a per-sale basis, the premium on a per-sale basis at American Income continues to tick up over the last several quarters. And to me, that is an indicator of consumer health as consumers are willing to spend a little bit more for a little bit more coverage. And what we see in the field and hear from the field is that we are not having to present more, our conversion rates are going down from just an overall consumer presentation to sales perspective.

So really, I do think it is an agent count story. And I am pleased to see that we have got sequential growth from Q1 to Q2, and we anticipate that coming around further.

It is just -- it is interesting, some of the work that we have done, as you go back and look over the last 20 and 25 years, is the agent count and sales count is very much momentum-driven. So we are going to get fluctuations on a per-quarter basis. And it is not uncommon that we will have two or three quarters of fairly stagnant or maybe even slight declines in our agent count, but then that is usually followed by several quarters, three, four, or five, of very strong sales growth and agent count growth.

And so that is why we really encourage folks to look at it more on an annual basis. It is pretty rare over the last 25 years. It has only happened one or two times that, overall, from an annual basis, our agent count is down, but we definitely get more fluctuations on a per-quarter basis when you just look at it on a very short term.

Joel Hurwitz Dowling & Partners — Analyst

Got it. That is helpful. And then for my second one, just on the United American margin. So it sounds like Evry was like a 4-point drag in the quarter. How much of a drag has that business been in the past quarters? And then, I guess, what is the expectation in the near term? I think you guys said, ex-Evry, the margin's expected to be 8 percent to 9 percent in the back half. Should we expect that business to have a 4-point drag-ish drag going forward, though?

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Yeah. No. I do not think, on a go-forward basis. It was just kind of a high claims quarter. It was really concentrated in a handful of claims.

What is interesting to know with Evry is that you have just had a pretty significant increase in the sales and the premium starting to come through in 2026. And so from a prior-period perspective, the margin side has not had much of an impact. It just did in this quarter because, unfortunately, with a significant ramp-up in premium, the premium comes in throughout the plan year, but the claims do not come in evenly every quarter.

Frank Svoboda Globe Life Inc. — Co-Chief Executive Officer

Yeah. And, Joel, I think for the first half of the year, the total underwriting losses in that is around $10 million and about $7 million of that was in the second quarter. And we only anticipate $3 million or $4

million in the second half of the year. So we do not anticipate it -- and the drag for the full year might be about 2 percent on the underwriting margin percentage.

I think something to note is that even despite some of the drags we had, as Tom mentioned, we had some adjustment to some prior periods and some claims in the second quarter related to some of the prior periods, as well as with Evry. And even with that, for the full year, we still see the underwriting dollars for United American increasing 24 percent year over year. So it is still going to be a very good year.

Joel Hurwitz Dowling & Partners — Analyst

Got it. Thank you.

Randy Binner Texas Capital — Analyst

Hey. Thanks. I have a couple of follow-ups. I guess the first is on your adapting to AI search and Direct to Consumer. Are you planning to use performance marketing intermediaries? Or are you looking -- and maybe you can remind us if that is something you utilize, but as far as reaching social media and AI search better, is it -- can just dig into a little bit more, kind of tactically, what you are doing? And if you are -- if kind of your expanding your tool set there as part of what you are contemplating?

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Yeah. The amount of advertising that we spend online is—we are usually working directly with the platforms themselves for optimization. Historically, Google obviously has been one of those big partners, but we do operate on the other platforms, Facebook, et cetera.

And so, as I had mentioned, what we are seeing is, is just – I will call it traditional paid search -- is changing a little bit, just the volume of paid search is down. So the basic economics, the cost is up. But you are seeing Google and others move into AI-generated ads and those type of things. And so we are working alongside with those programs as those new advertising methods of getting in front of consumers are happening.

So we will continue to work with the platform but, from our volume perspective, we really do most of that internally, working directly with the various platforms.

Randy Binner Texas Capital — Analyst

Okay. That is helpful. And then a follow-up on just the agent initiatives on the life side, mostly at American Income. Can you share a little bit more, just about maybe like the dynamic with the sales force there, the comp? I am not sure what you are able to share about the comp changes, but just maybe a little bit more detail on how that is changed? Is it in line with when you have made these adjustments in the past, as was alluded to in one of the prior answers you had? And just trying to understand kind of the dynamic on the ground there with the sales force and how they are viewing some of these compensation changes.

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Sure. So, simplistically, the way to think about overall agent compensation is there is a base level of commission paid on sales, and then there is also incentive compensation. And the incentive compensation is something that we regularly adjust. We typically adjust that at least once a year.

And we are really designing that to move certain KPIs that we are managing. And those transition between years, depending on what we are seeing in the field, of incentivizing maybe more sales growth, or maybe incentivizing more recruiting and retention and training of new agents.

And so we are always trying to make that delicate balance because at the manager level, they are splitting their time between direct sales and focusing on sales to shifting their time to focusing on recruiting and training and onboarding new agents. And so it is always a balance there.

And so the change that we implemented at the beginning of Q2, from that incentive compensation perspective, was really focused a little bit more on agent onboarding and retention of those new agents in their first year. And so we are seeing that come to fruition as our middle management's out there spending a little bit more time recruiting and training agents.

And so it is as expected. And I just pointed to our long history of American Income has been our division that has had the -- essentially the same model for decades. So when I talk about the last 25 years, it is a very consistent business model. And so these short-term fluctuations are not unexpected.

And the other thing I like is that we have three different agencies that all recruit and train onboard agents in a very similar manner. And you can see that it is not an environment issue, so to speak, because we have got strong agent count growth in Liberty and Family Heritage with 7 percent and 8 percent. And so that is why we are confident that American Income will change here a little bit in the last half of this year, which bodes very well for where we want to set that agency up for growth in 2027.

Frank Svoboda Globe Life Inc. — Co-Chief Executive Officer

Randy, I would just add that, on a longer term basis, is that we are really working on how we do think about some of the AI opportunities within that sales process, and what we can do to improve sales training for our agents. We are in the process of implementing training bots to give our agents, I am going to say, various personas that they might encounter as they are working with potential customers, and really enabling them to work on their skill sets before they are doing sales live. So we are in the process of doing that.

And then we are also really taking a look at what are we thinking about that whole sales productivity working. How do we improve that overall agent experience and -- which should help with retention and, ultimately, sales -- eliminate frictions in the sales process, whether it be from just a lead generation to the time involved in getting in front of a customer and then, ultimately, helping them to get a sale and improving on that sales process all around.

So there is a lot of things that we have got in place that we are really working on that we are really excited about. I think,

especially at American Income, given the size of that agency and the fact that they are so virtual and using a lot of technology in their processes today, it would not be in the next quarter or two, but I think, over time, we will start to really see that come to fruition.

Randy Binner Texas Capital — Analyst

All right. Great. Those answers are helpful. Thanks.

Pablo Singzon J.P. Morgan — Analyst

Hi. Good morning. On Evry, I was hoping you could unpack your comments on higher severity. Is there something different about the products there? Or was that comment more about the unique nature of claims that showed up this quarter? And it also does not sound like- that you are having to put through any repricing or re-underwriting actions, but I just want to confirm that. Thanks.

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Yeah. It is a different product than what is sold by the other agency. It is a health plan. I will say, in 2025, we just had a handful of groups, and the sales in 2026 have been good. There is, on an annual basis, an opportunity, obviously, to reprice groups. And so, what we did with our 2025 groups, we had good price increases there for just making sure we have got the right amount from an experience perspective.

Overall, we think, long term. This business is really going to be an 83 percent to 85 percent loss ratio kind of business. But in the early stages, as I have mentioned, it is a start-up. We have got to get scale first to be able to get the credibility of experience from an overall perspective.

Frank Svoboda Globe Life Inc. — Co-Chief Executive Officer

Yeah. And then we do have reinsurance coverages to protect ourselves from any of the real severe claims that might otherwise be incurred just to manage our risk on that line.

Pablo Singzon J.P. Morgan — Analyst

Got it. And then my second question on cancer claims at LNL, I think you might have an even bigger cancer book at Family Heritage. And I was wondering if you saw anything there or the fact that nothing showed up in Family Heritage, just gives you more confidence that what happened at LNL was more of an aberration. Thanks.

Tom Kalmbach Globe Life Inc. — Chief Financial Officer

I think that is exactly right, Pablo, is we have not seen that at Family Heritage. We have seen very consistent and favorable underwriting results at Family Heritage. And the products are a little bit different, but. And we do see a little bit more fluctuations at Liberty from time to time. And that is really why we look -- It is really just a fluctuation at this point for the quarter.

Suneet Kamath Jefferies — Analyst

Great. Thanks. Good morning. Just on the assumption update that you are guiding to for the third quarter. Post that change. I guess, should we be thinking about that as really a one-time sort of benefit? Or do you think you are still going to have these ongoing quarterly remeasurement gains? I guess I am trying to get a sense of, is this assumption update going to true-up everything and we are kind of back to normal? Or will we still have these ongoing remeasurement benefits?

Tom Kalmbach Globe Life Inc. — Chief Financial Officer

Yeah. So, from a -- It is primarily on the life side. The way that I think about this is that we look at mortality results over a long period of time to form our long-term assumptions. And so we have been seeing very good mortality experience recently. So I would not expect our assumptions to be adjusted all the way down to our current experience that we are seeing. So I would expect some remeasurement gains to continue to come through.

And we will always see remeasurement gains and losses there. It is a -- it is every quarter because things won't exactly emerge as we intend to. But I do think that there will be some continued favorable remeasurement gains as we -- even post assumption update.

Frank Svoboda Globe Life Inc. — Co-Chief Executive Officer

Yeah. That is what I -- I think it is, as time goes on, as Tom said, that our current experiences is clearly emerging better than those long-term assumptions. And to the extent that, that continues -- which, right now, we are not seeing anything in our numbers that say that it won't -- but then we will continue to evaluate that in future periods. And if we are continuing to see positive experience from those longer term assumptions, then, in the future, it would be possible that we might have some future assumption updates again in the future.

As you have those assumption updates, remember that it does kind of lock in a lower policy obligation percentage for that book of business going forward. So it ends up you needing less of that premium to fund those future claims. And so it does impact and benefit the margins on a going-forward basis.

Tom Kalmbach Globe Life Inc. — Chief Financial Officer

Yeah. One thing I would look at or additionally emphasize is that we had indicated normalized life underwriting margins in that 41 percent to 42 percent range. And that, to me, is kind of a starting point for how experience will emerge in the coming years. So that is really the all-in on underwriting margin. We will see a little bit of amortization increase in the future as well, just as we have seen that trend over the past few years, due to continued capitalization and amortization of renewal commissions, primarily at AIL.

Suneet Kamath Jefferies — Analyst

Okay. That is helpful. Thanks. And then, I guess, just on Bermuda. Just based on my conversations with some investors, I think some were hoping that, maybe, it would be an acceleration in the timing relative to this sort of three to five year range that you have given. Does not sound like that is going to happen. But maybe, could you just walk us through how you see the next kind of couple years developing? Like what are the things that we need to -- what are the things that need to happen in order to get you to a position where you can regularly take cash out of Bermuda? Thanks.

Tom Kalmbach Globe Life Inc. — Chief Financial Officer

Yeah. So the next step is getting Indiana approval for reciprocal jurisdiction. And so we have been in active discussions with them, and those discussions have been going well. Once we get Indiana reciprocal jurisdiction, to the extent that we want to have dividends come out of the Bermuda subsidiary, the Bermuda monetary authority would need to approve those distributions to the Parent.

We would expect that we seek some subsidiary dividends to the Parent in 2027; however, not at the magnitude of kind of where we think our long-term run rate is. But we are looking to have dividend distributions each year, so a consistent set of dividend distributions each year from the entity. And I think, as we put more new business in, we continue to create some capacity to actually provide dividend distributions from that entity.

Frank Svoboda Globe Life Inc. — Co-Chief Executive Officer

Yeah. The one thing I would add to what Tom said, I think, that is really important, is that we have been structuring our business plan and how we are doing the new reinsurance transactions, not to be just a one-time capital relief, but the ability to more efficiently manage the emergence of the profits from the block of business over time, which will then continue to provide ongoing annual cash flows, additional cash flows up to the Parent.

I do think, with respect to -- I think we have been pretty consistent to say that the anticipated time frame would be that we would have some additional dividends beginning in 2027, a little bit optimistic that, maybe, we could get some earlier in late 2026. But again, it is all subject to regulatory approval, and the time frames that we are working on today are right in line. So if we did anything, it would be really late in the year in any instance.

But I do think that, as we think about the amounts of earnings, we do not want to get ahead of --It is still regulatory approval for those dividends. And we do not want to put out an expectation of kind of getting to that maximum amount sooner than what we have really laid out for the regulators and getting ahead of their approval.

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

And I was going to say, in the next quarter call, we will typically discuss our estimates for 2027. And this would be, of course, one of those items as we think about dividends and free cash flow up to the Parent. So I would anticipate we will discuss that on the next call of our 2027 plans.

Suneet Kamath Jefferies — Analyst

Okay. Thanks.

Tom Gallagher — Evercore ISI

Hi. Where do you expect the health margin to come in, in 4Q, outside of the actuarial review?

Frank Svoboda Globe Life Inc. — Co-Chief Executive Officer

If it normalizes, it should come in around in that 24-ish percent. So say, it was -- just say 23 percent to 25 percent in the fourth quarter.

Tom Gallagher — Evercore ISI

Got it. So, 23 percent -- to 25 percent. So, a little -- potentially a little better than 2Q?

Frank Svoboda Globe Life Inc. — Co-Chief Executive Officer

Yeah. I would say, yeah, we would anticipate it being better than Q2. And Q4 is always a little bit seasonally high from an overall health, because you do have some -- the Med Supp does tend to have a little bit lower margins in the fourth quarter versus third quarter. So we would anticipate, absent any of the assumption update, probably being around that 25 percent in the third quarter, and then about that 24 percent in the fourth.

Tom Gallagher Evercore ISI — Analyst

Gotcha. On an ongoing basis?

Frank Svoboda Globe Life Inc. — Co-Chief Executive Officer

Yeah.

Tom Gallagher Evercore ISI — Analyst

Okay. That makes sense. And then just wanted to come back to the comment you made about the Direct to Consumer business and what is happening. So I just want to be clear as I know what is happening. So is there increased online competition? Do you think some direct sales are going away from you? Is that, right now, what you are seeing?

And then, if you do pivot to, let's say a Google portal sales model, what would the margin look like? Would you have to give up some of the economics, relative to where you are currently, based on how you think this pivot may happen? Any sort of color on that would be appreciated.

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Yeah. I would not characterize it as competition from other carriers from a life insurance direct to consumer perspective. It is really the volume of paid search is down and, therefore, it costs more on a per-click basis or to have your results appear toward the top of the page than it used to. And so, we are being disciplined about -- we are not going to spend past our target margins for sales in certain advertising campaigns. And that is consistent with what we have done in the past.

The pivot is that there is more testing that is starting to roll out where, as an example, Google is starting to run ads in their AI

search mode and some of those kind of things. So it is really an advertising dynamic with the platforms that is moving out of traditional paid search more into the AI realm. And so we will participate in that as well.

I do not anticipate we have to give up margin to be able to do that. We will do it, again, to optimize sales and to maintain our margins. So, I am pleased to see, and we reported that our margin's been improving in our Direct to Consumer channel, and that is what we are really trying to optimize because… And that is the nice benefit of our organization is that it is not a single source for sales for all Direct to Consumer, but a lot of this advertising spend, we are sending those leads over to our agency business, which is able to convert them at a much higher rate than a passive Direct to Consumer channel.

So ultimately, I think, as things shake out, we can be a winner because our conversion ratio should be better than just a DTC-only conversion ratio because we look at it as an entire organization, rather than just one channel.

Tom Gallagher Evercore ISI — Analyst

Gotcha. Thank you for that color.

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Sure.

Maxwell Fritscher Truist — Analyst

Yeah. Thank you. Good morning. I am calling in for Mark Hughes. Just a quick one from me. Could we get your broader thoughts around the recruiting environment and then, maybe, current experience around agent retention? I know you mentioned the compensation adjustment implemented at the beginning of the quarter but, yeah, just your broader thoughts there would be great. Thank you.

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Yeah. We see our pipeline being strong. We track that all the way through the recruiting process into what we would call hire -- and that is where folks start getting into training and then, ultimately, they are a producing agent when they start selling policies. And so we feel good about our pipeline and the numbers that are in there, that ultimately convert into new agents that are producing business for us.

And that is, again, where I would just reflect back on Liberty National and Family Heritage, simplistically, do not go to market differently on the agent recruiting side. And you can see that we have got agent count growth there that is both on a recruiting and agent retention perspective. And so that is why I am confident American Income will have a better second half of 2026 than we have had in the first half here.

Maxwell Fritscher Truist — Analyst

Great. Thank you.

Andrew Kligerman TD Cowen — Analyst

Okay. Last but not least. Thank you. Good, good color on the prior questions. I have just some very basic follow-ups. Just going back to the American Income, with recruiting down in the first half. And, Matt, I understand your point that the good read-throughs from Liberty National and Family Heritage. But I just want to understand that you are confident, in the second half of the year, that you will see mid-single-digit sales growth, even though recruiting is down in the first half. Maybe just something you are seeing? What is giving you that confidence as you look to the second half of the year?

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Sure. So, Andrew, like I just mentioned, the pipeline is one of the things we look at. And I think, also, we are comparing this quarter to the same quarter last year but, sequentially, we have got growth in our agent count. We got 3 percent growth. And so that, to me, is an indicator that things are starting to turn around.

The other thing I would point to is that our pipeline -- so our agents that have agreed to join the organization, that are in school and in the process of getting licensed -- that is up 8 percent from Q1. And so that is another early indicator that our pipeline is strong. And like I said, it is just kind of a momentum game.

And so when we are comparing quarter over quarter, we are going to get a little bit different answer than when we have got recent turnaround and improvement. And so it is all a momentum of, we have got people in the pipeline. Those are getting converted into producing agents. We are starting to see that. And so that is why I was very specific on the second half of the year. We anticipate that to be that mid-single-digit growth on the agent side, just seeing the momentum of where we are at right now.

Andrew Kligerman TD Cowen — Analyst

That is great. And with Direct to Consumer, you are guiding to sales down single digits. Is this one just too difficult to kind of get a feel for as we get to 2027? I mean, is it -- is there a lot of unknown there that is just going to take a lot of trial and error before you can kind of get confident that you will be back into a growth mode?

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Yeah. It is just kind of recognizing, because that is an annual number, what happened in Q2. And so we have a long history of running hundreds of campaigns and testing. And as you know, we are spending money up front with the anticipation of what interest, inquiries and leads and, ultimately, sales that, that generates.

So as digital advertising is pivoting to the AI world, how consumers are online and the decrease of organic traffic, that I believe will be picked up by more of the, I will call it, the AI-embedded advertising -- as we pivot into and test into that and optimize that, I think in the short term, us, along with everybody else over the next couple of quarters, that is going to be a transition period.

But from a longer term perspective, I do think that we can continue to grow because

keep in mind, overall, that is not really any discussion about the demand from a consumer perspective of the product. So the product still is out there. We just need to be able to be sure that we get in front of the consumer in the way that they are looking and behaving online. And so we will be right there as the transition happens from an online advertising perspective.

So that is kind of what gives me comfort from a long-term perspective, is that it is not a consumer behavior issue from a desire of the product. It is just more of how people are interacting online these days.

Andrew Kligerman TD Cowen — Analyst

Got it. Thank you for that. And just one last quick one. So, as I kind of wrap up on your commentary and I think about -- and thank you for the guidance today on 2026. As I kind of think out to 2027, the health margin was a blip this quarter and, obviously, in this business, that happens. American Income sales seem like they are on track. And then the good thing about Direct to Consumer is that you protect the margins and, maybe, the growth is a little bit more subdued but, hopefully, you get back. That seems to me like the wild card.

So as I look to 2027, would it be fair for me as an analyst, without asking for your guidance, to think that Globe Life is kind of tracking to historical EPS growth rates? Like it does not seem like there is anything getting in the way of that. Is that -- like the high single-digit EPS to low double-digit EPS, does that seem like a fair observation coming out of the 2Q, without asking for guidance?

Frank Svoboda Globe Life Inc. — Co-Chief Executive Officer

Yeah. Yeah. And, I think, Andrew -- and obviously, we will give more input next quarter -- but I think that is fair.

The one little wild card, probably, is you look at the assumption updates and where mortality comes in. And when you look at the year over year and then operating income we will have -- as Tom said, we are going to have $90 million to $100 million of assumption update on the life side. So, depending on where mortality kind of trends -- and it can still trend favorably but to the extent that, that -- you end up having a $50 million adjustment, or I am just throwing numbers out there. Right.

But if it is a lesser number, then that will impact some of that year-over-year growth rate just a little bit, but that is not to say that, especially when you think about normalized margins, those normalized margins will still be very good. I think we are optimistic is where our growth -- of getting some of the premium growth back up a little bit more from where we are at, especially on the health side continuing.

I think, on the health margins, we would anticipate those health margins -- I would say right now, I would anticipate them being a little bit better next year, just because of some of the unique things that we have had in the second quarter, as well as we will be putting together new premium adjustments with respect to the Med Supp. That will reflect some of the higher -- these higher costs that we saw here in the first and second quarter. And so, then that will come through in the -- for next year as well.

So I still think that there is some positives, I would say. And then investment income, we are starting to see that growing on a

sequential basis. We would look at that continuing to grow with the current yields on our new purchases of where they are at.

Matt Darden Globe Life Inc. — Co-Chief Executive Officer

Yeah. And, Frank, I was going to add is just There is been a lot of dialogue related to the margin percent on the health business. But you look at the margin dollars and the growth that we have had there, due to all the rate increases, as well as the very strong sales, and so that makes me feel very good that the underlying business is performing very strong from an earnings perspective, that I think bodes very well in the future.

And even DTC is that current year sales, only a small amount of that drops to the bottom line in the current year, that is earnings in the future. And so our margin is up in the quarter for DTC. So I think that bodes well in the future, and we should still have over $100 million of sales in the DTC channel, so that is still a good volume that is something that I do think we can continue to optimize, as we talked about the spend before. And so we want to be disciplined about growing our underwriting margin dollars, ultimately, at the end of the day.

Andrew Kligerman TD Cowen — Analyst

That was super helpful. Thank you.

Operator

And that concludes our Q&A session for today. We thank you all for your signals and your questions. I am happy to turn it back to Mr. Stephen Mota for any additional or closing remarks.

Stephen Mota
Globe Life Inc. — Vice President, Investor Relations

All right. Thank you for joining us this morning. Those are our comments. We will talk to you again next quarter.