

TORCHMARK CORPORATION
Operating Summary (Unaudited) for Discontinued Operations (Part D)
(In thousands, except per share amounts)

9 Months Ended			3Q	2Q	1Q	4Q	3Q
9/16	9/15		2016	2016	2016	2015	2015
		UNDERWRITING INCOME					
16,454	19,888	Underwriting Margin	7,449	4,433	4,572	2,336	9,211
<u>(4,512)</u>	<u>(4,235)</u>	Admin. Expenses	<u>(1,222)</u>	<u>(1,510)</u>	<u>(1,780)</u>	<u>(2,073)</u>	<u>(1,597)</u>
11,942	15,653	Underwriting Income	6,227	2,923	2,792	263	7,614
		EXCESS INVESTMENT INCOME					
0	0	Net Investment Income	0	0	0	0	0
735	673	Required Interest on Net Policy Liabilities	244	244	247	231	227
735	673	Total Excess Investment Income	244	244	247	231	227
<u>0</u>	<u>0</u>	Parent Company Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>(194)</u>	<u>0</u>
12,677	16,326	Pre-Tax Operating Income	6,471	3,167	3,039	300	7,841
<u>(4,437)</u>	<u>(5,714)</u>	Income Tax	<u>(2,265)</u>	<u>(1,109)</u>	<u>(1,063)</u>	<u>(105)</u>	<u>(2,744)</u>
\$8,240	\$10,612	Net Operating Income - Discontinued Operations	\$4,206	\$2,058	\$1,976	\$195	\$5,097
\$0.07	\$0.08	Per Share	\$0.03	\$0.02	\$0.02	\$0.00	\$0.04
122,687	127,403	Average Diluted Shares Outstanding	121,911	122,748	123,313	124,725	126,140

For GAAP reporting, Medicare Part D premiums are recognized evenly throughout the year when they become due, and benefit costs are incurred. Due to the design of the product, premiums are evenly distributed throughout the year, but benefit costs are higher earlier in the year. As a result, under GAAP, benefit costs can exceed premiums in the first part of the year but be less than premiums during the remainder of the year. For net operating income purposes, Torchmark defers excess benefits incurred in earlier interim periods to later periods in order to more closely match the benefit cost with the associated revenue. For the full year, the total premiums and benefits are the same under this alternative method as they are under GAAP.