

Analysis of Profitability by Segment

(Unaudited)

(Dollar amounts in thousands)

	Nine Months Ended		Increase (Decrease)	
	September 30,		Amount	%
	2018	2017		
Life insurance underwriting margin	\$ 484,594	\$ 444,164	\$ 40,430	9
Health insurance underwriting margin	177,839	164,382	13,457	8
Annuity underwriting margin	7,716	7,866	(150)	(2)
Excess investment income	183,414	181,758	1,656	1
Other and corporate:				
Other income	1,180	1,239	(59)	(5)
Administrative expense	(166,560)	(155,751)	(10,809)	7
Corporate and adjustments	(37,775)	(32,037)	(5,738)	18
Pre-tax total	650,408	611,621	38,787	6
Applicable taxes	(120,456)	(184,703)	64,247	(35)
Net Operating Income ⁽¹⁾	529,952	426,918	103,034	24
Reconciling items, net of tax:				
Realized gains (losses) - investments	11,689	6,235	5,454	
Part D Adjustments - Discontinued Operations	(55)	(3,739)	3,684	
Non-operating fees (after tax)	(1,247)	—	(1,247)	
Administrative settlements	(3,590)	(1,361)	(2,229)	
Guaranty fund assessments (after tax)	—	(905)	905	
Net Income	<u>\$ 536,749</u>	<u>\$ 427,148</u>	<u>\$ 109,601</u>	<u>26</u>

⁽¹⁾Net operating income is the consolidated total of segment profits after tax and as such is considered a non-GAAP measure.