

Analysis of Profitability by Segment

(Unaudited)

(Dollar amounts in thousands)

	Twelve Months Ended		Increase (Decrease)	
	December 31,		Amount	%
	2018	2017		
Life insurance underwriting margin	\$ 652,301	\$ 604,337	\$ 47,964	8
Health insurance underwriting margin	236,053	219,508	16,545	8
Annuity underwriting margin	10,376	10,562	(186)	(2)
Excess investment income	245,094	239,363	5,731	2
Other and corporate:				
Other income	1,236	1,270	(34)	(3)
Administrative expense	(223,941)	(210,590)	(13,351)	6
Corporate and adjustments	(50,476)	(43,285)	(7,191)	17
Pre-tax total	870,643	821,165	49,478	6
Applicable taxes	(163,669)	(247,484)	83,815	(34)
Net Operating Income ⁽¹⁾	706,974	573,681	133,293	23
Reconciling items, net of tax:				
Realized gains (losses) - Investments	7,327	20,217	(12,890)	
Realized loss - Redemption of Debt	(8,752)	(2,627)	(6,125)	
Part D Adjustments - Discontinued Operations	(44)	(3,769)	3,725	
Non-operating fees	(1,247)	(187)	(1,060)	
Administrative settlements	(3,590)	(5,628)	2,038	
Guaranty fund assessments	—	(1,171)	1,171	
Tax reform adjustment	798	873,978	(873,180)	
Net Income	<u>\$ 701,466</u>	<u>\$ 1,454,494</u>	<u>\$ (753,028)</u>	<u>(52)</u>

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