

TORCHMARK CORPORATION
Analysis of Profitability by Segment

(Unaudited)
(Dollar amounts in thousands)

	Three Months Ended		Increase (Decrease)	
	March 31,		Amount	%
	2019	2018		
Life insurance underwriting margin	\$ 169,839	\$ 154,821	\$ 15,018	10
Health insurance underwriting margin	61,514	58,048	3,466	6
Annuity underwriting margin	2,416	2,586	(170)	(7)
Excess investment income	65,555	61,937	3,618	6
Other and corporate:				
Other income	241	323	(82)	(25)
Administrative expense	(59,191)	(55,472)	(3,719)	7
Corporate and adjustments	(13,202)	(11,352)	(1,850)	16
Pre-tax total	227,172	210,891	16,281	8
Applicable taxes	(42,428)	(38,721)	(3,707)	10
Net Operating Income ⁽¹⁾	184,744	172,170	12,574	7
Reconciling items, net of tax:				
Realized gains (losses) - Investments	1,050	1,541	(491)	
Part D Adjustments - Discontinued Operations	(49)	(111)	62	
Administrative settlements	(400)	—	(400)	
Net Income	<u>\$ 185,345</u>	<u>\$ 173,600</u>	<u>\$ 11,745</u>	<u>7</u>

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