

TORCHMARK CORPORATION
Analysis of Profitability by Segment
(Unaudited)
(Dollar amounts in thousands)

	Six Months Ended June 30,		Change	%
	2019	2018		
Life insurance underwriting margin	\$ 344,889	\$ 315,998	\$ 28,891	9
Health insurance underwriting margin	121,673	117,586	4,087	3
Annuity underwriting margin	4,781	5,152	(371)	(7)
Excess investment income	130,233	121,886	8,347	7
Other insurance:				
Other income	639	764	(125)	(16)
Administrative expense	(118,607)	(110,748)	(7,859)	7
Corporate and other	(27,330)	(24,696)	(2,634)	11
Pre-tax total	456,278	425,942	30,336	7
Applicable taxes	(84,652)	(78,712)	(5,940)	8
Net operating income⁽¹⁾	371,626	347,230	24,396	7
Reconciling items, net of tax:				
Realized gain (loss)—investments	5,122	10,874	(5,752)	
Part D adjustments—discontinued operations	(92)	(79)	(13)	
Administrative settlements	(400)	—	(400)	
Legal proceedings	(4,345)	—	(4,345)	
Net income	\$ 371,911	\$ 358,025	\$ 13,886	4

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