1st Quarter 2018 Conference Call

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Corporate Participants

Frank M. Svoboda - Torchmark Corporation - *Executive VP & CFO*

Gary L. Coleman - Torchmark Corporation - *Co-Chairman of the Board and Co-CEO*

Larry M. Hutchison - Torchmark Corporation - *Co-Chairman of the Board and Co-CEO*

Michael C. Majors - Torchmark Corporation - *VP of IR*

Brian Mitchell Torchmark Corporation – *General Counsel*

Conference Call Participants

Jamminder Singh Bhullar - JP Morgan Chase & Co, Research Division - *Senior Analyst*

Taylor Alexander Scott - Goldman Sachs Group Inc., Research Division - *Equity Analyst*

Ryan Joel Krueger - Keefe, Bruyette, & Woods, Inc., Research Division - *MD of Equity Research*

Robert Ray Glasspiegel - Janney Montgomery Scott LLC, Research Division - *MD of Insurance*

Erik James Bass - Autonomous Research LLP - *Partner of US Life Insurance*

Sam Hoffman – Lincoln Square

Presentation

Michael C. Majors - Torchmark Corporation - VP of IR

Thank you. Good morning, everyone. Joining the call today are Gary Coleman and Larry Hutchison, our Co-Chief Executive Officers, Frank Svoboda, our Chief Financial Officer, and Brian Mitchell, our General Counsel.

Some of our comments or answers to your questions may contain forward-looking statements that are provided for general guidance purposes only. Accordingly, please refer to our 2017 10-K on file with the SEC. Some of our comments may also contain non-GAAP measures. Please see our earnings release and website for discussion of these terms and reconciliations to GAAP measures.

I'll now turn the call over to Gary Coleman.

Gary L. Coleman - Torchmark Corporation - Co-Chairman & CEO

Thank you Mike, and good morning everyone. In the first quarter, net income was $174 million or $1.49 per share, compared to $134 million or $1.11 per share a year ago. Net operating income for the quarter was $172 million or $1.47 per share - a per share increase of 28% from a year ago. Without the impact of tax reform, we estimate that the growth would have been approximately 9%.

On a GAAP reported basis, return on equity as of March 31st was 11.5% and book value per share was $50.13. Excluding unrealized gains and losses on fixed maturities, return on equity was 14.6% and book value per share grew 25% from a year ago to $40.94.

In our life insurance operations, premium revenue increased 4% to $598 million and life underwriting margin was $155 million, up 7% from a year ago. Growth in underwriting margin exceeded premium growth due to higher margins at American Income and direct response. For the year, we expect life underwriting income to grow around 4% to 5%.

On the health side, premium revenue grew 3% to $252 million and health underwriting margin was up 9% to $58 million. Growth in underwriting margin exceeded premium growth due to higher margins at Family Heritage and American Income. For the year, we expect health underwriting income to grow around 4% to 5%.

Administrative expenses were $55 million, up 7% from a year ago and in line with our expectations. As a percentage of premium, administrative expenses were 6.5%, compared to 6.3% a year ago. For the year, we expect administrative expenses to be around 6.4% of premium.

I will now turn the call over to Larry for his comments on the marketing operations.

Larry M. Hutchison - Torchmark Corporation - Co-Chairman & CEO

Thank you, Gary. At American Income, life premiums were up 9% to $263 million, and life underwriting margin was up 12% to $85 million. Net life sales were $55 million, up 3%. The average producing agent count for the first quarter was 6,780, up 1% from a year ago, but down 3% from the fourth quarter. The producing agent count at the end of the first quarter was 6,947.

At Liberty National, life premiums were up 1% to $70 million, while life underwriting margin was down 12% to $16 million. Net life sales increased 4% to $11 million, and net health sales were $5 million, up 11% from the year-ago quarter.

The sales increase was driven primarily by growth in agent count. The average producing agent count for the first quarter was 2,087, up 15% from a year ago, but down 1% compared to the fourth quarter. The producing agent count at Liberty National ended the quarter at 2,224.

In our direct response operation at Globe Life, life premiums were up 1% to $212 million, and life underwriting margin increased 14% to $34 million. Net life sales were down 17% to $32 million. As we have discussed on previous calls, the sales decline is by design. We continue to refine and adjust our marketing programs in an effort to maximize the profitably of new sales.

At Family Heritage, health premiums increased 8% to $66 million, and health underwriting margin increased 21% to $16 million. Health net sales grew 1% to $13 million. The average producing agent count for the first quarter was 988, up 11% from a year ago, but down 4% from the fourth quarter. The producing agent count at the end of the quarter was 1,026.

At United American General Agency, health premiums increased 2% to $94 million. Net health sales were $14 million, up 24% compared to the year-ago quarter due to increases in both the group and individual Medicare Supplement units.

To complete my discussion of the marketing operations, I will now provide some forward looking information. Approximate life net sales trends for the full year 2018 are expected to be as follows: American Income, 5% to 9% growth; Liberty National, 9% to 13% growth; direct response, 6% to 10% decline. Approximate health net sales trends for the full year 2018 are expected to be as follows: Liberty National, 2% to 6% growth; Family Heritage, 5% to 9% growth; United American individual Medicare Supplement, 5% to 9% growth.

I will now turn the call back to Gary.

Gary L. Coleman - Torchmark Corporation - Co-Chairman & CEO

I want to spend a few minutes discussing our investment operations.

First, our excess investment income

Excess investment income, which we define as net investment income less required interest on net policy liabilities and debt, was $62 million, a 4% increase over the year-ago quarter. On a per share basis, reflecting the impact of our share repurchase program, excess investment income was up 8%.

For the full year, we expect excess investment income to grow by about 3%. However, on a per share basis, we should see an increase of about 6%.

Next on our investment portfolio

Invested assets are $16.0 billion, including $15.3 billion of fixed maturities at amortized cost. Of the fixed maturities, $14.6 billion are investment grade with an average rating of A-, and below investment grade bonds are $688 million, compared to $711 million a year ago. The percentage of below investment grade bonds to fixed maturities is 4.5%, compared to 4.9% a year ago. With a portfolio leverage of 3.2X, the percentage of below investment grade bonds to equity, excluding net unrealized gains on fixed maturities, is 14%.

Overall, the total portfolio is rated BBB+, same as the year-ago quarter. In addition, we have net unrealized gains in the fixed maturity portfolio of $1.4 billion, approximately $90 million higher than a year ago.

Regarding investment yield

In the first quarter, we invested $359 million in investment grade fixed maturities, primarily in industrials and tax-free munis. We invested at an average yield of 4.46%, an average rating of A, and an average life of 23 years. For the entire portfolio, the first quarter yield was 5.58%, down 12 basis points from the 5.7% yield in the first quarter of 2017. As of March 31, the portfolio yield was approximately 5.57%.

For 2018, the midpoint of our current guidance assumes an average new money yield of 4.75% for the full year. We would like to see higher interest rates going forward. Higher new money rates will have a positive impact on operating income by driving up excess investment income. We are not concerned about potential unrealized losses that are interest rate driven since we would not expect to realize them. We have the intent and more importantly, the ability to hold our investments to maturity.

However, if rates don't rise, a continued low interest rate environment will impact our income statement, but not the GAAP or statutory balance sheets since we primarily sell non-interest sensitive protection products accounted for under FAS 60.

While we would benefit from higher interest rates, Torchmark would continue to earn substantial excess investment income in an extended low interest rate environment.

Now I'll turn the call back to Frank.

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

Thanks, Gary. First, I want to spend a few minutes discussing our share repurchases and capital position. The Parent ended the year with liquid assets of $48 million. In addition to these liquid assets, the Parent will generate excess cash flow in 2018. The Parent Company's excess cash flow, as we define it, results primarily from the dividends received by the Parent from its subsidiaries less the interest paid on debt and the dividends paid to Torchmark’s shareholders. We expect excess cash flow in 2018 to be in the range of $325 million to $335 million.

Thus, including the assets on hand at the beginning of the year, we currently expect to have around $375 million to $385 million of cash and liquid assets available to the Parent during the year.

In the first quarter, we spent $87 million to buy 1 million Torchmark shares at an average price of $86.32. So far in April, we have spent $18 million to purchase 220,000 shares. Thus, for the full year through today, we have spent $105 million of Parent Company cash to acquire more than 1.2 million shares at an average price of $85.40. These purchases were made from the Parent Company's excess cash flow.

As noted on previous calls, we will use our cash as efficiently as possible. If market conditions are favorable, we expect that share repurchases will continue to be a primary use of those funds. We also expect to retain approximately $50 million of Parent assets at the end of 2018, absent the need to utilize any of these funds to support our insurance company operations.

Now regarding capital levels at our insurance subsidiaries

Our goal is to maintain capital at levels necessary to support our current ratings. For the past several years, that level has been around an NAIC RBC ratio of 325% on a consolidated basis. At December 31st, 2017, our consolidated RBC ratio was 314%, a decrease from the prior year due to the reduction in deferred tax assets that resulted from the passage of the tax reform legislation at the end of last year. Even though lower than the 325% target, this capital level is 6.3X the amount of capital required by our regulators.

We are still in the early stages of determining the appropriate target consolidated RBC ratio for our insurance subsidiaries in 2018. We will have discussions with our rating agencies and insurance regulators in the coming months. It remains unclear what changes the NAIC will make to the existing required capital factors or if such changes will be effective for 2018 or delayed until 2019. Thus, we are unsure at this time how our targeted capital levels will be impacted. In any instance, should we choose to make additional capital contributions, we are confident that we can fund any amounts without a significant impact on our excess cash flow.

Next, a few comments on our underwriting results

In the first quarter, we saw a decrease in the life underwriting margin percentage at Liberty National. The underwriting margin, as a percent of premium, was 24%, down from 27% in the year-ago quarter. This reflects higher policy obligations in the first quarter of 2018 as compared to those in the first quarter of 2017, which were lower than expected. While higher obligations in the first quarter of the year are generally expected, the claims in the first quarter this year were higher than we've experienced in the past couple of years and higher than anticipated. At this time, we believe the higher claims was a fluctuation, and that for the full year 2018, the underwriting margin percentage will be in the range of 24% to 26% of premium.

With respect to our direct response operations, the underwriting margin, as a percent of premium, in the quarter was 16% as compared to 14% in the year-ago quarter. This was primarily attributable to favorable claims in the first quarter of this year as compared to higher than normal claims in the first quarter of 2017. While the underwriting margin percentage was in line with our previous guidance, it was higher than we anticipated for the quarter.

For the last four quarters, the underwriting margin has averaged 16% of premium. For the full year 2018, we are now estimating the underwriting margin for direct response to be in the range of 15% to 17%, up slightly from our prior guidance.

Finally, stock compensation expense, net of tax, increased substantially from the year-ago quarter. As noted on our last call, this is primarily attributable to lower tax benefits resulting from the new tax law. The net expense in the first quarter was in line with our expectations. We anticipate the net expense for 2018 to be in the range of $19 million to $23 million.

Now with respect to our earnings guidance for 2018

We are projecting the net operating income per share will be in the range of $5.93 to $6.07 for the year ended December 31st, 2018. The $6.00 midpoint of this guidance is unchanged from our previous guidance.

Those are my comments. I will now turn the call back to Larry.

Larry M. Hutchison - Torchmark Corporation - Co-Chairman & CEO

Thank you Frank. Those are our comments. We will now open the call up for questions.

Question and Answers

Jamminder Singh Bhullar - JP Morgan Chase & Co, Research Division - Senior Analyst

Hi good morning. So first, I had a question on just your life sales, especially on direct response. I would've -- and obviously, you've been indicating that sales are going to be weak because you're limiting marketing. But I would have thought that once you got through the difficult comps, then sales would begin to stabilize, and that obviously hasn't happened. Are you still comfortable that you're going to start growing, I think you had mentioned, before by late 2018 or early 2019?

Larry M. Hutchison - Torchmark Corporation - Co-Chairman & CEO

Jimmy, this is Larry. I think it will be early 2019. We do expect this to be the low point of the year at a year-over-year comparison basis. The decline should soften throughout 2018 and be flat or close to flat by the fourth quarter. The year-over-year declines are primarily due to the higher rates and stricter underwriting implemented throughout 2017. The last of these changes were implemented effective the beginning of the first quarter of 2018. We will continue to evaluate the results of these changes to determine if any additional adjustments need to be made.

Jamminder Singh Bhullar - JP Morgan Chase & Co, Research Division - Senior Analyst

Okay. And then any color on your health sales? They've been fairly strong. I think you have two double digit growth quarters in a row. Is it something that you are doing on a product -- front? Or is it -- this market conditions, what's really driving that?

Larry M. Hutchison - Torchmark Corporation - Co-Chairman & CEO

I think its market conditions that are driving that. Our emphasis still remains on life sales, but we have a little stronger than expected health sales, particularly at Liberty National.

Jamminder Singh Bhullar - JP Morgan Chase & Co, Research Division - Senior Analyst

Okay, and then just lastly on stock options expense. That was actually fairly high this quarter. I think $5 million, it's been -- it wasn't even that for the whole year last year. What's your expectation for that? I think part of the reason for the increase is the lower tax rate. So what’s your expectation for that on a go-forward basis?

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

Yes. Jimmy, I think it should be around that $5 million per quarter. We anticipate for the year, it should be in the range of $19 million to $23 million. And it does have some volatility in it just because it does change as – you know as our stock price changes and depending upon actual stock option exercises during the year that has an impact on the excess tax benefits that runs into that number. But I think it is in line with what our expectations are for the year.

Jamminder Singh Bhullar - JP Morgan Chase & Co, Research Division - Senior Analyst

Okay thank you.

Erik James Bass - Autonomous Research LLP - Partner of US Life Insurance

Hi thank you. Just given the favorable margins you saw in direct response this quarter and the change in your expectation for the year there, as well as I think you revised the target for health underwriting income up a little bit, why not increase the midpoint of guidance for the full year? Is this just conservatism? Or do you see any offsetting negatives versus your prior expectations?

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

Yes. Hi, Erik. I think there are several different moving parts with respect to the guidance. We did increase our expectation with respect to direct response just a little bit. We actually did lower them a little bit with respect to Liberty National as well due to some of their higher claims in the first quarter. And then we are seeing just a little bit of an uptick on the stock option -- or stock compensation expense for the year as well. Just kind of net-net at this point in time still being early in the year, we're leaving it the same.

Erik James Bass - Autonomous Research LLP - Partner of US Life Insurance

Got it, and you've talked previously about having debt capacity in the event of needing to rebuild your RBC ratio, and the debt-to-capital has come down as a result of tax reform. So what do you target for the leverage ratio longer term? And how much capacity does this give you?

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

Well, we do think by the end of 2018 that our debt-cap ratio will dip below 23%. That is definitely lower than what we have had in quite a number of years. We do think that we have capacity to be able to stay within the guidelines expressed by our rating agencies and to keep our existing ratings as of –by the end of the year that will actually be over $600 million. Now -- so that is the amount of capacity, that would not necessarily be the target that we want to go forward. And we will just have to see as the year plays out -- how we might think about what our target ratio might be.

Erik James Bass - Autonomous Research LLP - Partner of US Life Insurance

Thank you, and then just last quickly. Do you have any preliminary estimate of the potential impact on your RBC ratio from the proposed changes to the C1 charges for investments?

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

No, we really do not at this point in time. It is just too early, and we just have not received enough guidance from the NAIC to have a good indication of what they think that those changes might actually be.

Robert Ray Glasspiegel - Janney Montgomery Scott LLC, Research Division - MD of Insurance

Good morning Torchmark. You are sort of implying the lower margins in the Liberty National was a surprise. I mean, it was a surprise going into the year, but we've had about as bad a flu season as you could've had. I actually was a bit reassured it wasn't worse. Am I looking at it the wrong way or...?

Gary L. Coleman - Torchmark Corporation - Co-Chairman & CEO

No, Bob. We actually -- we expected it to be higher the first quarter. It was a little bit higher than our expectation. But if you go back and look at the history of Liberty National, the first quarter claims are usually higher. For the last 5 years, we have had a policy obligation percentage that is in the 39% range we had this quarter. The real difference was last year. It was low. It was at 37%. We expected a higher first quarter and for it to lower as the year goes on, and we expect to be at the 37% ratio for the year. So it wasn't that much of a surprise, but it was a little bit higher than what we expected. But again, we expect it to level out the rest of the year, and it will -- the policy obligation ratio for the full year will be around 37%, which is what it has been the last few years.

Robert Ray Glasspiegel - Janney Montgomery Scott LLC, Research Division - MD of Insurance

I may be beating a dead horse here, Gary, I apologize, but I'm just saying going into the year, you did not expect the flu season to be the worst it's ever been. At the end of the quarter, when you realized the flu season was awful for the industry, it was still worse than you would've thought in light of a horrific flu season? I mean, I think we're going to see this from other companies as well. I mean, it's not a Liberty National specific issue. It was first quarter, we had rotten weather and the flu was rampant, particularly in your regions. So I mean, I don't think it's that big of a surprise. But it sounds like you're saying it was worse than you would have thought given how bad the flu season was? Or is that not what you said?

Gary L. Coleman - Torchmark Corporation - Co-Chairman & CEO

No. We did not see that big of impact from the flu season in terms of the cause of deaths in the first quarter. So we really -- we did not have -- going into the quarter, we were not sure what we would have from a flu standpoint. We did not see a big uptick in flu related claims, but the causes of deaths were pretty much as they always are. It's just the fact that, with that in mind, the total was a little bit higher than what we would -- would have expected. But we really -- we did not get hit hard by the flu.

Robert Ray Glasspiegel - Janney Montgomery Scott LLC, Research Division - MD of Insurance

Okay. I see there's trade publication stories that Nestle has put Gerber Life up for -- the market. I don't know whether the stories are confirmed or not, but would you potentially have interest if it was available?

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

Yes, Bob. We have seen those same announcements. I think Goldman had an announcement as well that they were going to put it up for sale. And we talked in the past that Gerber does fit the profile of the company that we would generally be interested in. It has protection products serving the middle income market, and it does have a controlled distribution. So I think, at least at this point in time, we would be interested. Best of our knowledge, no process has started at this point in time.

Robert Ray Glasspiegel - Janney Montgomery Scott LLC, Research Division - MD of Insurance

Okay, well good luck on that. Thank you.

Taylor Alexander Scott - Goldman Sachs Group Inc., Research Division - Equity Analyst

Hi good morning. First question was just on tech expenses. It looked like across your businesses, expenses were a little higher at the margin. And I guess like the overall, like corporate admin expenses, -- a little bit higher. Just wondering what's sort of baked into your 2018 guidance for sort of a year-over-year headwind, if there is any, from tech expense? And are we sort of at a peak level? Will it decline from here? Or should we just kind of think that will continue to slowly tick up as you kind of integrate systems, et cetera?

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

Alex, just to clarify, I understand on the admin expenses but you said DAC expenses, or our non-deferred acquisition expenses? Is that what you meant, or...?

Taylor Alexander Scott - Goldman Sachs Group Inc., Research Division - Equity Analyst

Yes, yes.

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

Yes, okay. I think we are seeing a little bit of an uptick on our non-deferred acquisition expenses really reflecting, to the large part, 2 things: It's really true with respect to our admin expense as well, both an uptick in our pension expenses as well as an uptick in our IT related expenses. So we've been investing a fair amount on agency IT systems, as well as analytics and security and other modernization initiatives across the organization. And so we do have larger than normal increases, if you will, as some of those projects come onboard and the depreciation started to take hold.

Taylor Alexander Scott - Goldman Sachs Group Inc., Research Division - Equity Analyst

And so would you consider this to be more of like a peak year in terms of the level of those expenses and it would fade from here? Or is that something that'll just remain for a while?

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

Yes, I would not anticipate that the level of increases would continue going forward, and that we would expect them to be at about this level or -- and they would -- we would anticipate some at least slight growth over time as we continue to invest. And then on the pension expense, obviously, that is more reliant on how interest rates you know behave and the changes in those rates and the impact that, that has on our overall pension expense.

Taylor Alexander Scott - Goldman Sachs Group Inc., Research Division - Equity Analyst

Okay thanks for that, and second question, just on some of your health products. Have you taken any pricing action or do you plan to take any pricing action just related to tax reform or any other factors?

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

No, not at this point in time. It is something that we will continue to look at. We continue to look especially on our health and in the Med Supp lines from a competitive perspective. And we will just continue to evaluate that as the year goes on.

Taylor Alexander Scott - Goldman Sachs Group Inc., Research Division - Equity Analyst

Okay thank you very much.

Sam Hoffman - Lincoln Square

Good morning, I just had a question on -- to ask you if you could clarify how you determine your capital needs and free cash flow. Is it going to be based on RBC and any changes that the -- NAIC makes to the formula? Or is it going to be based on rating agency capital models and the guidance they give you on ratings?

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

Yes. So I think with respect to our excess free cash flow, initially, the levels of that are all based upon the amount of dividends that we have available to be paid out of our insurance company less the interest that we have on our debt and the dividends that we pay to our shareholders. So -- and then as we think about do we need to put -- use some of that to support our capital level. We are – it is going to be based upon discussions with our regulators to make sure that, as we look -- as we do look at what the change in the factors are, what are those adequate amounts and appropriate amounts of capital for us to maintain given our risk profile. Once we are satisfied with where the regulators are, we will continue to have those discussions with rating agencies and then make those determinations with respect to what are the appropriate levels of capital to maintain or to reach desired levels of our rating. So it will all take into – it will take into account those discussions with the rating agencies as well as the regulators just based on what we all agree as -- together with respect to what appropriate levels we would need to maintain.

Sam Hoffman - Lincoln Square

So do you feel -- if the regulators change the RBC formula, do you think the rating agencies will change their view in terms of the amounts of capital they'll require you to hold?

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

I really cannot say at this point in time. It is too early to tell. Some of the rating agencies have their own model, so it may not have much of an impact at all. Some of the other rating agencies do rely more on the NAIC RBC formula. And we have not had any meaningful discussions with them at this point in time to really get a true understanding in our situation of how they will want to think about it.

Sam Hoffman - Lincoln Square

Okay thanks.

Ryan Joel Krueger - Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research

Hi thanks, good morning. I have a follow-up question on potential M&A. I guess to the extent a transaction was available, can you discuss how much balance sheet capacity you would expect to have to be able to do an M&A transaction? And I guess, if you would be willing to either suspend share repurchase or issue equity to fund the deal if it was on the larger end?

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

Yes, Ryan. With respect to total debt capacity, we had indicated earlier that we probably have about $600 million to maintain with existing limits that have been set up by our rating agencies. It would be -- if the right situation came around and we were -- and we needed to use some of our excess cash flows to fund an acquisition, we would be willing to do so as long as it made financial sense. So obviously, as we modeled out any type of acquisition, we would simply be looking at what is the best way to finance that. Is it straight debt? Is it a combination of debt and use of our free cash flows? Or do we use all of our free cash flows. And we have to work that all into the analysis to determine, just to make sure that it would make sense for our shareholders.

Gary L. Coleman - Torchmark Corporation - Co-Chairman & CEO

Ryan, and also, it makes a difference as to which kind of company we are looking at. You know we have said in the past that we are looking at companies that are generally in the middle income market with captive distribution, selling similar products. And those companies tend to have strong cash flow. Although Frank mentioned the $600 million, yet we could probably even borrow more than that if we could demonstrate that we could pay it back fairly quickly from the cash from the company we acquire. So I would not say $600 million is the limit. I think we could probably go more than that depending on the type of company that we would purchase.

Ryan Joel Krueger - Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research

Okay got it, and then you had previously talked, I think, about potential reduction in the RBC ratio of 40 to 60 points if tax reform was incorporated. Have you been able to evaluate the potential impact based on the updated proposals from the NAIC that would kind of partially mitigate the impact?

Frank M. Svoboda - Torchmark Corporation - Executive VP & CFO

We have not updated any of those initial calculations at all at this point in time. I do understand they are at least considering a pullback on some of those factors, and they may not actually be as severe as what some of the initial factors that they had issued. I have also seen where the Academy of Actuaries has at least recommended that they redo their models and come up with some new factors. So that is why it is really kind of up in the air at this point in time.

Ryan Joel Krueger - Keefe, Bruyette, & Woods, Inc., Research Division - MD of Equity Research

Got it, okay thanks a lot.

Operator - -

Sir, at this time, I am showing no further questions in the queue.

Michael C. Majors - Torchmark Corporation - VP of IR

All right, thank you for joining us this morning. Those are our comments, and we will talk to you again next quarter.