4th QUARTER 2010 CONFERENCE CALL
February 10, 2011

Corporation Participants
Mark McAndrew, Chairman and CEO
Gary L. Coleman, EVP and CFO
Larry Hutchison, EVP & General Counsel
Mike Majors, VP of Investor Relations

Mark McAndrew: Thank you. Good morning everyone. Joining me this morning is Gary Coleman, our Chief Financial Officer; Larry Hutchison, our General Counsel; and Mike Majors, Vice President of Investor Relations.

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 2009 10-K and any subsequent forms 10-Q on file with the SEC.

Net operating income for the fourth quarter was $136 million, or $1.68 per share – a per share increase of 14% from a year ago. Net income was $155 million, or $1.91 per share – a 40% increase from $1.36 a year ago. For the year, net operating income was $526 million, or $6.41 per share – a per share increase of 7% over 2009. Net income per share for the year grew 29% to $6.30.

Excluding FAS 115, our return on equity was 13.8% and our book value per share was $49.03 – an 11% increase from a year ago. On a GAAP reported basis, with fixed maturities carried at market value, book value grew 22% for the year to $49.86 per share.

In our life insurance operations, premium revenue (excluding United Investors) grew 4% to $415 million and life underwriting margins increased 5% to $115 million. Life net sales declined 5% in the quarter to $77 million, but finished the year up 1% at $330 million. Life first-year collected premiums were up 1% for the quarter and 9% for the full year.

At American Income, life premiums were up 9% to $144 million and life underwriting margin was up 12% to $48 million. Net life sales declined 7% for the quarter to $33 million, but grew 8% for the full year.

On the last call, I mentioned several actions being taken to renew our growth in producing agents and sales at American Income. These initiatives are progressing and we should begin to see a turnaround in the first quarter. We have, however, reduced our growth expectations for new sales to the mid single-digit range for 2011 at American Income.

In our Direct Response operation at Globe Life, life premiums were up 4% to $138 million while life underwriting margins were down 4% to $34 million. Net life sales were up 1% for the quarter to $31 million and grew 4% for the full year.

With the difficult economic conditions, I am pleased with the 4% sales growth in 2010 at Globe Life. Barring another significant downturn in the economy, we now expect improved sales growth in 2011 in the 8% to 10% range.

Life premiums at Liberty National declined 1% to $73 million and life underwriting margin was up 16% to $17 million. Net life sales declined 11% to $10.8 million for the quarter and were down 19% for the full year to $45 million.

Much effort was given during 2010 to improve the underwriting margins at Liberty National. In addition to improvements in our persistency, significant rate increases were implemented during the fourth quarter on the life insurance portfolio. We
also closed or consolidated a number of unprofitable offices during the year. While these changes were necessary, they adversely affected our new sales. The negative impact of these changes is mostly behind us and we fully expect to see double-digit growth in our life sales at Liberty National for 2011.

On the health side, premium revenue, excluding Part D, declined 6% to $188 million while health underwriting margin grew 3% to $35 million. Health net sales declined 49% for the quarter to $20 million and were down 33% for the full year.

Most of the decline in health sales was in our group Medicare supplement business which had an extremely strong fourth quarter of 2009. Also, the new business generated from Medicare Advantage disenrollees was disappointing as 86% of those people disenrolled chose to re-enroll in another Medicare Advantage plan.

After several years of decline, we now believe our health sales have hit bottom and we expect to see single-digit growth in new health sales for 2011.

Premium revenue from Medicare Part D was $51 million for the quarter – a 15% increase, and the underwriting margin was $8.5 million – up 48%. For the full year, revenues were up 14% to $209 million and underwriting margin increased 15% to $24 million.

Administrative expenses were $41 million for the quarter – an 11% increase, and rose 3.5% for the full year to $156 million. For 2011, we expect administrative expenses to increase in the 1% to 2% range.

I will now turn the call over to Gary Coleman, our Chief Financial Officer, for his comments.

**Gary Coleman:** Thanks, Mark.

As previously disclosed, Liberty National closed the sale of its wholly owned subsidiary, United Investors, to Protective Life on December 31, 2010. Prior to the closing, United Investors distributed approximately $305 million of assets to Liberty in the form of dividends. In addition, the proceeds from the sale are approximately $364 million, resulting in a statutory gain of $183 million, pre-tax, or $119 million after tax. Now although the sale generated a statutory gain, we recognized a GAAP loss of approximately $35 million after tax due primarily to DAC, goodwill and the difference in the GAAP and statutory benefit reserves.

Now, I want to spend a few minutes discussing our investment portfolio, excess investment income, capital and share repurchases.

First, the investment portfolio.

On our website are three schedules that provide summary information regarding our portfolio as of December 31, 2010.

As indicated on these schedules, invested assets are $11.1 billion, including $10.4 billion of fixed maturities at amortized cost. Of the fixed maturities, $9.6 billion are investment grade with an average rating of A–. And below investment grade bonds are $863 million, 8.3% of fixed maturities; compared to $824 million a year ago.

Although the percentage of below investment grade bonds at 8.3% is high relative to our peers, due to our significantly lower portfolio leverage, the percentage of below investment grade bonds to equity, excluding OCI, is 22%, which is likely less than our peer average. Overall, the total portfolio is rated BBB+, same as a year ago.
During the quarter, we recognized $18 million of after tax realized gains. For the year, we had net realized capital gains of $24 million, after tax.

We have net unrealized gains in the fixed maturity portfolio of $108 million compared to net unrealized gains of $572 million at September 30 and net unrealized losses of $455 million a year ago. The decrease in unrealized gains in the fourth quarter is due primarily to higher interest rates with treasury yields increasing more than credit spreads declined during the quarter.

As far as investment yield, in the fourth quarter we invested $314 million in investment grade fixed maturities, primarily in the industrial sectors. We invested at an average annual effective yield of 5.8%, an average rating of A–, and an average life of 27 to 29 years. For the year, we invested $1.7 billion at an average yield of 5.9%.

For the entire portfolio, the fourth quarter yield was 6.65% compared to 6.68% yield in the previous quarter and the 6.85% in the fourth quarter of 2009. The decline in yield is due to the lower new money yields. As of December 31, the yield on the portfolio is 6.63%.

Now, turning to excess investment income.

Excess investment income is our net investment income less the interest cost of the net policy liabilities and the financing costs of our debt. In the fourth quarter, it was $76 million, up $11 million, or 17% from a year ago. On a per share basis, reflecting the impact of our share repurchase program, excess investment income was $.94, up 21% over the fourth quarter of 2009.

The increase in excess investment income is due primarily to investment income being up $17 million over a year ago. This represents a 10% increase in investment income, compared to an 8% increase in average invested assets. Despite the lower yields in the bond portfolio, investment income increased at a higher rate than the related assets because we held significantly more cash and short-term securities in the fourth quarter of 2009 than we did in 2010.

Regarding RBC.

We plan to maintain our RBC ratio at or around the 325%+ level. This ratio is lower than some peer companies, but is sufficient for our companies in light of our consistent statutory earnings, the relatively lower risk of our policy liabilities, and our ratings. Although we haven’t finalized our 2010 statutory financial statements, we expect that RBC at 12/31/10 will be in the range 400% to 410% – higher than normal due to the impact of the sale of United Investors.

Finally, regarding share repurchases.

In the fourth quarter, we used $62 million to buy 1.1 million Torchmark shares. For the year, we spent $204 million to acquire 3.8 million shares.

At December 31, the parent company had liquid assets of $204 million. In addition, in the fourth quarter, Torchmark renewed its $600 million revolving credit facility through January, 2015.

In addition to the $204 million of liquid assets, we estimate that 2011 free cash flow at the parent company will be approximately $655 million. This consists of approximately $350 million of free cash from normal operations, along with $305 million resulting from the sale of United Investors. To date, in 2011, we have used $74 million of this cash to buy 1.2 million of Torchmark shares.
As noted before, 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.

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

Mark McAndrew: Thank you, Gary.

For 2011, we are affirming the guidance we provided on the last call of expected earnings per share in the range of $6.75 to $7.10. This guidance assumes we spend between $600 and $650 million on share repurchase for the year. I will also remind everyone that we expect the sale of United Investors to dilute 2011 earnings per share by about $.05 followed by accretion of $.10 to $.20 next year with additional accretion in subsequent years.

Those are my comments for this morning. I will now open it up for questions.

Randy Binner, FBR Capital Markets: Great. Thank you. I'd like to focus on the sales issue at American Income, and I guess Mark, just a couple of questions. The first is, if you could characterize what it is that's holding back sales there. I think we've seen from other captive-type agents and companies that it's harder to get folks motivated to take a bonus job maybe in this kind of macro environment. But if it's that, or if it's something else, I would be curious what it is that's been kind of challenging that, and what it is that you think might change as it relates to your initiatives, that could turn sales around there to single-digit growth?

Mark McAndrew: Okay. Well, Randy, there's a number of things there which we're addressing. As I've mentioned before, part of the issue is growing our middle management. In order to recruit more agents we need more middle managers who are kind of the front line in recruiting and training these people. We did see some growth there. I think we added four SGAs in the fourth quarter and 11 middle managers. That's not enough growth, but we've started to at least turn the corner there in growing the middle manager. In some cases, in a few places it's a lead issue; generating more leads to supply additional agents. And, you know, in the first quarter so far our lead generation efforts have been pretty successful. One of the things, actually, as far as the Internet recruiting sites, overall the total number of new resumes that were out on the three major sites actually declined last year. We have plenty of resumes out there to recruit from. But again, that's something that we've got to look at if that trend continues – what other sources of recruiting can we look at. So it's really a combination of a number of things, Randy. We are moving forward with trying to centralize more of the recruiting effort to make it more efficient and to expand it, and I feel pretty good about where we're at. It's just not something that turns around in a very short period of time. It's something that will be even more of a gradual turnaround as the year progresses.

Randy Binner: Yeah, and just to follow-up there, does it feel a little bit different, though, than other downturns? And I guess the answer has to be yes, right? And so, is it feeling different this time around, in this soft economic cycle?

Mark McAndrew: Well, we did see rapid growth over the last three years in our agent recruiting and our sales as a result of the downturn in the economy. You know, that's kind of flattened out and now the unemployment rate is starting to come down. The number, as I've mentioned, the number of new resumes out there have started to come down a bit so it's a little bit tougher environment than it was a couple of years ago. There's still no reason we can't renew that growth this year.

Randy Binner: I'll leave it there. Thank you.
Jeffrey Schuman, Keefe, Bruyette & Woods:
Good morning. First, I want to just touch briefly on Direct Response. I think that the benefit ratio there was a bit higher than we’ve seen a number of quarters. Any concerns there of emerging trends, or it was just not a particularly favorable quarter?

Mark McAndrew: Overall, I don’t think there’s any particular trends there. We have some fluctuations there, so we did have a little higher than normal claims. But for the full year, the margins were about what they were in 2009 and we expect similar margins in 2011. So I think it was just an abnormal quarter.

Jeffrey Schuman: The other thing I’m wondering about is this curious phenomenon of so many people being dis-enrolled from Medicare Advantage and then somehow being absorbed back into the Medicare Advantage market. I guess I’m wondering is what that sort of implies for the future of the insured product. I mean, if the insured product can’t really claw back much market share in the face of that kind of dis-enrollments, does it mean that maybe the Medicare Advantage has kind of permanently supplanted you, or how should we think about that?

Mark McAndrew: Well, Jeff, again, this is kind of a first round of dis-enrollments and there were other Medicare Advantage options available to people in these areas. I think there is a big question mark right now, especially with the change in control of the House, will the cuts that were proposed previously continue over the next three, four, five years? If they do, you’ll see the dis-enrollments accelerate and you’ll see fewer options for people to move to. But I think that’s a big question mark. We’re not really projecting any significant growth there and really, right now, I don’t think anybody really knows what the future of that is. We’ll just have to kind of wait and see.

Jeffrey Schuman: And just one follow-up there. I don’t know if you’ve looked at the demographics, I’m just sort of curious. Are people that have Medicare supplement today older people that always kind of had that historically, or do you actually still sell to new customers as they turn 65 and enter Medicare for the first time?

Mark McAndrew: Most of our new sales, other than the group, tend to be people turning 65. There again, our new individual sales have declined to the point – it’s not a significant amount – and, you know, we do pick up some people who are dis-enrolling from the Medicare Advantage plans; but you don’t see a lot of replacement of business of other Medicare supplement business.

Jeffrey Schuman: Okay. Thank you very much.

Jimmy Bhullar, J. P. Morgan: Hello. Thank you. Mark, I was wondering if you could give us an update on just your Part D enrollees for 2011.

And then secondly, just maybe talk about the M&A environment. Seems like you’re committed to buybacks, but I was wondering if you’ve seen any properties potentially out there that you might be interested in, and is it reasonable to assume there is some chance that you’d use the capital for a deal, or is it mostly going to be used for buyback?

Mark McAndrew: Okay. Well first off, our Part D sales were less than what they were a year ago, primarily in our group side, and we did lose a little of the auto enroll business we have. So right now, we’re expecting our Part D revenue next year to be down a little bit in the probably 7% range. Margins, maybe slightly less than what they were this year, although they were surprisingly strong because of the volume of rebates that we received. So, in our guidance we’re expecting about a 7% decline in our Part D for next year.
On the M&A side, you know, in the guidance we are assuming we’re using that cash for share repurchase, but we are actively looking at what’s out there as an acquisition candidate. There are some companies out there that are attractive to us. The timing of something like that is hard to say. We don’t feel pressured to make an acquisition, but it’s something we’re definitely going to be looking hard at this year; although we’re in a good position to make an acquisition in addition to buying back shares. So I wouldn’t expect to use all of that cash in an acquisition, but I think the chances of an acquisition coming along this year are much better than they have been in the last two or three.

Jimmy Bhullar: And then lastly, on Liberty National the margins were actually better than what we’d thought about. I think part of it is just lower amortization. Is that, the margins this quarter, should we assume that that’s the run rate or was there something abnormal this quarter in that business?

Mark McAndrew: Well, overall, the margins are improving at Liberty National. Again, we made some changes. We saw some negative changes in our persistency a couple of years ago that we had to react to and now that persistency has improved, which results in the lower amortization. So overall, we expect the margins for 2011 to be roughly what they were for the full year 2010. But again, we raised the rates on the products that we're raising. The new business we're writing going forward definitely has a better margin than what we've written in the last couple years.

Jimmy Bhullar: Okay. Thank you.

Mark McAndrew: Well again, I think I said on the last call, some of the response rates -- we saw a decline in the summer of last year -- did come back somewhat from where they were in the summer which impacted our sales the second half of the year. But we continue to test and we've continued to find ways to be better. And again, if our response rates just pretty much hold at where they're at with the additional things that we're pursuing, we think that growth is very achievable. Part of it, we're exploring ways to better underwrite our products which will add margin which will have a positive impact on our mortality which will allow us to expand our distribution. But there is a number of different things. There is a number of different pieces to that that cause us to have that optimism.

Paul Sarran: Okay. And the price increases you implemented for Liberty. Can you talk about what drove that? Is it interest rate related, changes to your persistency assumptions, or, you know, something else altogether?

Mark McAndrew: Well, it just comes down to -- even prior to that the margins on the business at Liberty National were the lowest of any of our life distributions -- and they had been deteriorating. Particularly, we have a lot of fixed expenses at Liberty National even though we've been managing those pretty effectively. The margins we just felt weren't acceptable, and we felt the need to increase the rates to offset those.

Paul Sarran: Do you think about it in terms of return targets or required returns? Did you change your return requirement, or is it just with the shrinking distribution size on fixed costs you had to raise prices to get back to the same return?
**Mark McAndrew:** Well, the reason for the increases were basically just a rise in our acquisition expenses, although it is something we are taking a look at now. We will make a decision before the end of the first quarter as to whether or not we're going to change our interest rate assumptions for 2011. We figured it both ways. We don't expect it to have a material impact on 2011 results regardless of what we do. So it is something we're looking very hard at and we will make a decision on our interest rate crediting before the end of the first quarter.

**Paul Sarran:** Okay. Thanks. And then just one last one on health margins. The underwriting margin declined sequentially from 19.3% to 18.8% and it had been kind of on a rising trend, and I think we've talked about it in the past. But we would have expected it to continue increasing given the ongoing mix shift away from the limited benefit product into more Med supp and supplemental products. So is there any change in the trend here or is it kind of a one quarter blip? Can you kind of just talk on that?

**Mark McAndrew:** Well, the decline in the margin is really still that underage 65 health insurance block. It's really the lapse rates are continuing to be high on that and so we've had to increase the amortization of the DAC. For 2011, we may see a slight decline in that margin, but --

**Paul Sarran:** Sorry, a slight decline in the overall health margin or just for the under 65?

**Mark McAndrew:** Well, in the overall as a result of the underage 65.

**Paul Sarran:** Okay. Thanks.

**Steven Schwartz, Raymond James & Associates:** Good afternoon. Most were answered. I just have one simple question now. And that has to do with the movement -- just so I'm clear -- the movement in interest rates over the quarter, and since that point my assumption has to be that you've gotten much closer, even since the fourth quarter, with being even up in terms of new money versus the effective yield. That would be correct, yes?

**Gary Coleman:** Well, Steven, so far through the first quarter we've invested a little over 6%, which is quite an improvement over the 5.8% in the fourth quarter and the 5.5% in the third quarter. But we haven't gotten back up toward the 6.5% to 7% range; but 6% is quite an improvement.

**Steven Schwartz:** Okay, that's really what I wanted to get to. Thank you. Like I said, the rest had already been asked.

**Chris Giovanni, Goldman Sachs:** Thanks, yes, most of mine have been answered as well. But just one question around buybacks. I think you alluded to taking the proceeds of United Investors and basically being in the market March and April putting to work all of the proceeds. Is that still the expectation or has that changed at all?

**Gary Coleman:** Well, when I mentioned that on the last call, I said that that's the way we had done our guidance, with that kind of assumption. That money is going to be coming up March 15, but as I mentioned, we've already spent $74 million on share repurchases, you know, in 2011 to date. We can continue to buy more. We have no set time when we're going to buy those shares. We're really buying when it's an opportune time. Until that money comes up, if we need to we can use our short-term line for just a short period of time, but we're not really pinpointing that we're going to spend that money at a certain point in time.

**Chris Giovanni:** Okay. And then I apologize if I missed this. Did you talk about when you were upstreaming dividends? Has that been done already?
**Gary Coleman:** Well, let’s break it into two pieces. The dividends, just related to our normal statutory operations, this year, are going to be right around $470 million. That $470 million will be spread evenly throughout the year. The $305 million that’s related to the United Investor sale will probably come up, as I mentioned, in mid-March.

**Chris Giovanni:** Okay. Thank you very much.

**Robert Glasspiegel, Langen McAlenney:** Well the marketplace is giving you an opportunity today. How long do you stay out of the market when you report? Or can you buy the day of report?

**Mark McAndrew:** We can buy tomorrow morning.

**Robert Glasspiegel:** Tomorrow morning, you come back in?

**Mark McAndrew:** Yes.

**Robert Glasspiegel:** Okay. With the yields I assume the price increase at Liberty National is motivated by the decline in interest rates. Is that fair?

**Mark McAndrew:** That is part of it. But again, as I mentioned, Bob, you know, with all of the fixed costs we have there, as Liberty sales have declined it has raised our overall acquisition costs. So it was something we felt necessary. The increase in acquisition costs was a big contributing factor.

**Robert Glasspiegel:** Okay. So that maybe negates my question. But with rates, with earning above 6%, when you started this at 5.50 might you have overshot the rate increase? And if interest rates continue to climb, would you slow it down or you’re going to take them now that you’ve got them and keep passing them through?

**Mark McAndrew:** Well, we’ve passed them through. Obviously, it’s something we will take a good look at, Bob. But I can’t imagine -- sales would have to come up significantly and persistency continue to improve before we take a look at repricing back downward.

**Robert Glasspiegel:** Okay. So it’s more a size of the business than interest rates, as far as the factor?

**Mark McAndrew:** Yes. Right.

**Robert Glasspiegel:** Okay. On the Med supp in the quarter, and the spiked margins back to get you even for the year, or it seemed like it was well above -- I know the fourth quarter can be some catch up -- but was there anything unusual in there?

**Mark McAndrew:** I don’t know…

**Robert Glasspiegel:** Part D, I’m talking.

**Mark McAndrew:** Oh, on Part D? Yes, there was on Part D. We were a little surprised. Most of that increase or rebates that we received based upon 2009 results, but we just finally settled up with our pharmacy benefits manager in the fourth quarter from the prior year -- and also we settled up with CMS for the 2009 results -- and both of those were more favorable than what we had anticipated. So the 2010 experience, again we won’t really have final numbers until late this year. But we don’t expect quite as good of total rebates as what we received in 2009. But again, it will be later this year before we know the exact numbers.

**Robert Glasspiegel:** Okay. And finally, is there anything in the AIG carcass potentially of interest? I know American General was, at one point in the history bank interest strike zone of Torchmark.
**Mark McAndrew:** That's a possibility. If that comes on the market it's something we would at least definitely take a hard look at, Bob.

**Robert Glasspiegel:** Okay. It doesn't sound like there's been anything yet. Thank you very much.

**Mark McAndrew:** Sure.

**John Nadel, Stern, Agee & Leach:** Sorry, guys. The cord fell out of my phone. I had a couple for you. I'm sorry if I missed this. I think in your guidance for 2011 you guys have been talking about 10% to 15% sales growth for Liberty, and I think as well for American Income. I may have missed this at the beginning. Are you still on track for that? Frankly, I assume the comps, given the fourth quarter results, actually make that a little bit easier to achieve.

**Mark McAndrew:** Well, now we've lowered our overall -- at American Income, we're now just assuming mid-single digits.

**John Nadel:** Okay.

**Mark McAndrew:** Although at Liberty, we still think we can achieve something in excess of 10% growth of life sales there because we do have easier comparisons.

**John Nadel:** Okay. And then Gary, on the risk-based capital ratio, the 400% to 410% estimate, after the dividends you expect to make up to the parent, where does that come down to? Does it come all the way to your $325 target, or are you still somewhere above that level?

**Gary Coleman:** No, we would still be above it, because at the around 410% level we would have $350 million of excess capital.

**Mark McAndrew:** Above the $325 million. Okay, and the dividends about $305?

**Gary Coleman:** Right.

**John Nadel:** Okay, got it. And then Mark, more maybe a philosophical question on thinking about deploying capital, but I'm wondering if you guys have considered perhaps redirecting some of the extra cash flow, or extra buybacks that you're doing, into maybe taking your dividend yield up, especially in a relatively low rate environment. You know, perhaps a stock in my coverage universe that could stand out with a higher dividend yield. I'm just wondering if you guys have considered that? Would it make some sense especially given the predictability of your cash flow?

**Mark McAndrew:** Well, John, yes. It's obviously something we've considered. In fact, we've talked with most of our larger shareholders about their preference.

**John Nadel:** Okay.

**Mark McAndrew:** And basically, their attitude is they would prefer to use share repurchase. We feel like we're returning the money to our shareholders one way or the other. The thing about a cash dividend is it's very hard to reduce. And we have been increasing our dividend every year for the last few years. We intend to continue that. But again, we want to be able to pursue acquisitions and if we get committed to too big of a cash dividend, I would hate to have to cut that at some point in the future in order to make an acquisition. And to be quite honest, the bulk of our long-term shareholders prefer the share repurchase.

**John Nadel:** Yes, understood. Thank you.
Colin Devine, Citigroup: Thank you very much. Let's get away from capital for a bit. I was hoping you could just talk about what you're looking at in terms of maybe modifications to your products this year. If there's anything sort of coming down the pike.

Mark McAndrew: Colin, I don't see any major changes in our product portfolio. Again, we're going to continue selling basic protection products. Barring an acquisition that we might get into another product line, we are looking into the possibility of, with some of our captive sales force, the possibility of selling some other products that we may not necessarily feel comfortable taking the risk on. But we do have a significant captive sales force there that there is a possibility we may offer some other companies products that don't directly compete with our own. But we don't envision any major new product lines.

Colin Devine: Would those be insurance products, I assume, or other types of financial services?

Mark McAndrew: Oh, it's possible it could be either. But I would be thinking more insurance type products and lines that we're not in.

Colin Devine: Okay. Thank you.

Operator: And at this time, I show no further questions in queue.

Mark McAndrew: All right. Well, thank you for joining us this morning and we'll talk to you again next quarter.