


Torchmark Corporation

2001 Annual Report

Torchmark Corporation

Corporate Headquarters

Torchmark Corporation
2001 Third Avenue South
Birmingham, Alabama 35233
(205) 325-4200
www.torchmarkcorp.com

Annual Meeting of Shareholders

Thursday, April 25, 2002 @ 10:00 a.m.
Corporate Headquarters
Birmingham, Alabama

The Company's Annual Meeting will be conducted in accordance with its Shareholder Rights Policy. A copy of this policy can be obtained by going to the company's website at www.torchmarkcorp.com, or by contacting the corporate secretary at the Torchmark headquarters address.

Investor Relations

Contact: Joyce L. Lane
Phone: (972) 569-3627
Fax: (972) 569-3696
E-Mail: jlane@torchmarkcorp.com
General stock ownership information:
(205) 325-4270
Toll Free Stock Transfer Number:
(866) 557-8699

Independent Auditors

Deloitte & Touche, LLP
2200 Ross Avenue
Suite 1600
Dallas, TX 75201

Stock Exchange Listing

New York Stock Exchange
Symbol: TMK

The International Stock Exchange,
London, England

Stock Transfer Agent and Shareholder Assistance

The Bank of New York
Shareholder Relations, Dept. 11F
P.O. Box 11258
Church Street Station
New York, NY 10286
Toll Free Number:
(866) 557-8699
Toll Free Hearing Impaired Number:
(888) 269-5221
E-Mail: shareowner-svcs@bankofny.com
www.stockbny.com

Indenture Trustee for Senior Debentures and $7\frac{7}{8}\%$ and $7\frac{3}{8}\%$ Notes

Bank One N.A.
1 BankOne Plaza
Mail Code IL1-0134
Chicago, Illinois 60670-0134
Toll Free Number: (800) 524-9472

Indenture Trustee for $6\frac{1}{4}\%$ Notes

The Bank of New York
101 Barclay Street, 21W
New York, NY, 10286
Attention: Corporate Trust Administration
Toll Free Number: (800) 254-2826

Dividend Reinvestment

Torchmark maintains a dividend reinvestment plan for all holders of its common stock. Under the plan, shareholders may reinvest all or part of their dividends in additional shares of common stock and may also make periodic additional cash payments of up to $3,000 toward the purchase of Torchmark stock. Participation is voluntary. More information on the plan may be obtained from the Stock Transfer Agent by calling: toll-free (866) 557-8699 or by writing: The Bank of New York, 101 Barclay Street, New York, NY, 10286.

Automatic Deposit of Dividends

Automatic deposit of dividends is available to shareholders who wish to have their dividends directly deposited into the financial institution of their choice. Authorization forms may be obtained from the Stock Transfer Agent by calling toll-free (866) 557-8699. Participation is voluntary.

Key Insurance Subsidiaries

American Income Life Insurance Company
Waco, TX
www.ailife.com

Globe Life And Accident Insurance Company
Oklahoma City, OK
www.globeontheweb.com

Liberty National Life Insurance Company
Birmingham, AL
www.libnat.com

United American Insurance Company
McKinney, TX
www.unitedamerican.com

United Investors Life Insurance Company
Birmingham, AL
www.uilic.com

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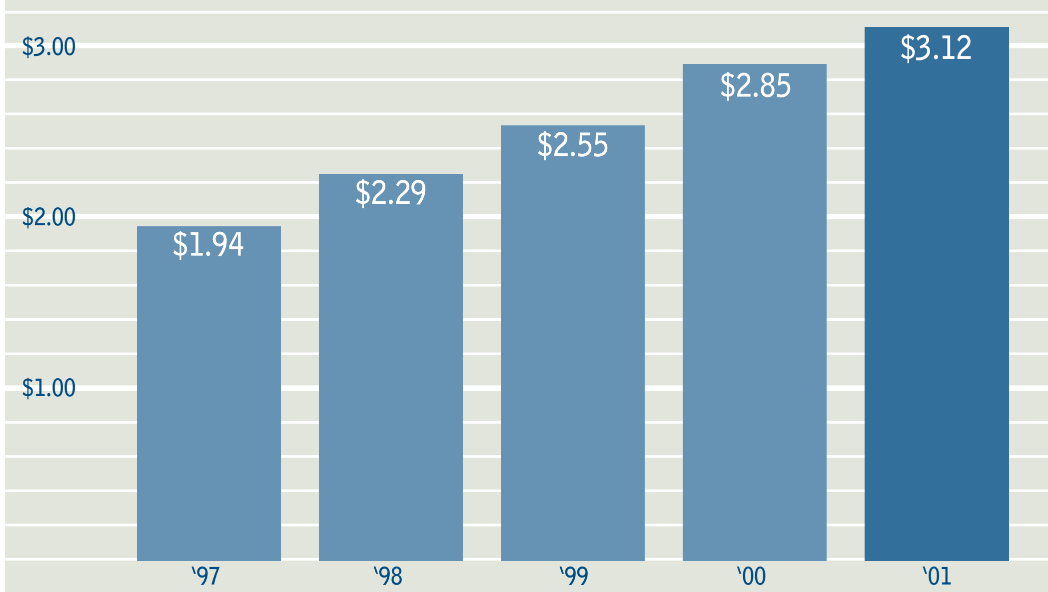
FINANCIAL HIGHLIGHTS

(In thousands except percent and per share amounts)

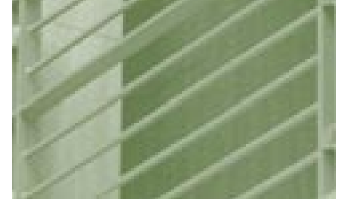
	2001	2000	% Change
Operations:			
Total Premium	$2,215,169	$2,046,210	8.3
Total Revenue	2,707,042	2,515,894	7.6
Net Operating Income *	392,510	365,292	7.5
Annualized Life Premium in Force	1,257,413	1,200,144	4.8
Annualized Health Premium in Force	1,042,643	1,004,299	3.8
Diluted Average Shares Outstanding	125,861	128,353	(1.9)
Net Operating Income as a Return On Average Common Equity **	16.1%	16.3%	
Per Common Share:			
Net Operating Income *	$3.12	$2.85	9.5
Shareholders' Equity at Year End **	20.32	18.53	9.7

Net Operating Income Per Common Share*



* Excludes realized investment losses, the gain/(loss) on redemption of debt, discontinued operations in 2001, and a change in accounting principle in 2001.

** Includes fixed maturity investments at amortized cost.



Distribution Channels

Distribution Unit	Torchmark Subsidiary	Method of Distribution	Primary Line of Business
American Income Agency	American Income Life *Waco, TX*	"Union Label" company selling products via exclusive agents nationwide	Life and supplemental health insurance to union/credit union members
Direct Response	Globe Life *Oklahoma City, OK*	Products are sold via direct response nationwide	Whole/term life insurance sold to juveniles, parents and adults age 50+
Liberty National Exclusive Agency	Liberty National Life *Birmingham, AL*	Products are sold via exclusive agents in seven (7) southeastern United States.	Life and cancer insurance to middle income Americans
United American General Agency	United American *McKinney, TX*	Products are sold via independent agents nationwide	Individual life and health insurance including Medicare supplements and other supplemental health policies to seniors and middle income Americans
United American Branch Office Agency	United American *McKinney, TX*	Products are sold via exclusive agents nationwide	Individual health insurance including Medicare supplements and other supplemental health to seniors and middle income Americans
Military Agency	Liberty National Life *Birmingham, AL*	Products are sold via independent agents nationwide	Individual whole and term life insurance to military officers and their families
United Investors Agency	United Investors Life *Birmingham, AL*	Products are sold via independent agencies nationwide	Individual life insurance and annuities to middle income Americans

Letter to Shareholders

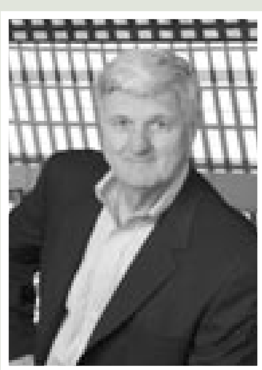
2001 was a good year for Torchmark. Our net operating income increased 7% to $393 million. On a per share basis, our net operating income increased 9% to $3.12.

We remained focused on providing protection-type life and health insurance products to our target markets in middle income America. Although our underwriting income grew at a rate less than our expectations at the beginning of the year, our growth in excess investment income exceeded our expectations. We managed our capital effectively; we repurchased our stock and we refinanced our debt...both actions enhanced the current and future value of our shareholders' stock.

Financial Review

Key Components of Net Operating Income Per Diluted Share

	$ Millions			Per Diluted Share		
	2001	2000	%	2001	2000	%
Insurance Underwriting Income	$367.9	$355.6	3	$2.92	$2.77	5
Excess Investment Income	255.5	227.0	13	2.03	1.77	15
Other	(26.6)	(30.1)	(12)	(.21)	(.23)	(9)
Income Tax	(204.4)	(187.2)	9	(1.62)	(1.46)	11
Net Operating Income	$392.5	$365.3	7%	$3.12	$2.85	9%



Tony G. Brill
Executive Vice President and Chief Administrative Officer

With respect to life insurance, annualized premium issued increased 1% to $295 million. Premium income increased 6% to $1.1 billion. Underwriting margin, which is the premium income less the amounts applied (1) to fund current and future benefits, and (2) to amortize acquisition expenses, increased 5% to $284 million.

With respect to health insurance, annualized premium issued decreased 16% to $213 million. Premium income increased 11% to $1.0 billion. Underwriting margin increased 8% to $173 million.

Annuity premiums increased 14% to $59 million, and the underwriting margin decreased 17% to $25 million.

The total underwriting margin increased 4% to $483 million. Other miscellaneous income was $4 million, and administrative expenses increased 6% to $119 million.

Underwriting income, which is the sum of the underwriting margins plus other income and less administrative expenses, increased 3% to $368 million.

Net investment income increased 3% to $496 million. The required interest on our net policy liabilities increased 3% to $189 million, and our financing costs declined 27% to $51 million. Therefore, excess investment income increased 13% to $256 million.

Net operating income as a return on equity was 16.1%. Book value, assuming that our fixed maturity assets are reported at amortized cost instead of market, was $20.32 per share. Treating our preferred securities as debt, our debt to capital ratio was 26.2%.

Insurance Distribution

American Income Agency Operation
(In millions, except %)

	Life				Health			
	2001		2000		2001		2000	
	$	%*	$	%*	$	%*	$	%*
Annualized Premium Issued	66		57		10		9	
Underwriting Margin:								
Premium	247		231		50		48	
Policy Obligations	84	34%	81	35%	18	37%	19	39%
Acquisition Expenses	92	37%	86	37%	12	25%	12	24%
Underwriting Margin	**71**	**29%**	**65**	**28%**	**19**	**38%**	**18**	**37%**

* Percent of Premium

Annualized premium issued increased 17% to $76 million. Premium income increased 6% to $297 million, and underwriting margins increased 8% to $90 million.

American Income is a "union label" company. The sales force, with the endorsement of unions at the local level, sells life and supplemental health insurance to union members.

At year end, this sales force was comprised of 1,768 producing agents, over 400 more agents than at the beginning of the year. The sales force was responsible for the issuance of over 185,000 life insurance policies with an average face amount of just over $26,000.

Of our life distribution systems, American Income is not only our fastest growing, but also produces the highest underwriting margin per dollar of premium income. Going forward into 2002, we expect American Income's growth in life insurance sales, premium, and underwriting margin to exceed that in 2001.

Gary L. Coleman
Executive Vice President and Chief Financial Officer

Direct Response Operation

(In millions, except %)

	Life 2001 $	Life 2001 %*	Life 2000 $	Life 2000 %*	Health 2001 $	Health 2001 %*	Health 2000 $	Health 2000 %*
Annualized Premium Issued	112		113		3		4	
Underwriting Margin:								
Premium	289		268		18		15	
Policy Obligations	135	47%	122	46%	15	82%	12	82%
Acquisition Expenses	82	29%	75	28%	1	8%	1	6%
Underwriting Margin	**72**	**25%**	**71**	**26%**	**2**	**10%**	**2**	**12%**

* Percent of Premium

Annualized premium issued decreased 1% to $115 million. Premium income increased 9% to $307 million, and underwriting margins increased 2% to $74 million.

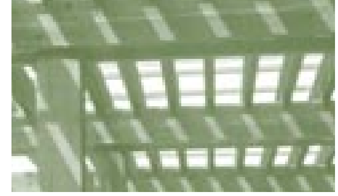
A primary objective for both 2000 and 2001 was to issue new business that produced higher margins than business issued in preceding years. We accomplished this objective in both years. To accomplish this objective in 2001, we expected that our life insurance sales would decline for the year. One reason is that for the full year we implemented tighter underwriting standards that resulted in a higher percentage of the submitted business not being issued. However, I am pleased to report that our expectations of lower sales did not materialize. Life insurance issued was virtually the same as in 2000, and the expected underwriting margins over the life of the business written during this two year period should be greater.

We have significantly reduced our acquisition costs per dollar of issued premium in the last two years. In 1999, the acquisition costs were $.94 per $1 of annualized premium issued; but in 2000 and 2001, the costs were $.74 and $.71, respectively. And, we expect this favorable trend to continue.

During the year, we issued 419,000 Young American (issue ages 0 to 30) life insurance policies with an average face amount of just under $10,000 per policy. In addition, we issued 448,000 policies to older Americans, with an average face amount of $17,000. These volumes and average face amounts illustrate that at the younger ages there is a need to begin an insurance program, and at the later ages there is a need to protect the family from the final expenses associated with death.

Going forward, we will concentrate our sales efforts in those areas that produce acceptable returns. Our premium income will continue to grow, and the growth rate of our underwriting margins should be much closer to the growth rate of our premium income.

Larry M. Hutchison
Executive Vice President and General Counsel



Liberty National Exclusive Agency Operation

(In millions, except %)

	Life				Health			
	2001		2000		2001		2000	
	$	%*	$	%*	$	%*	$	%*
Annualized Premium Issued	55		54		11		10	
Underwriting Margin:								
Premium	297		294		156		151	
Policy Obligations	134	45%	134	46%	112	72%	106	70%
Acquisition Expenses	91	31%	88	30%	28	18%	27	18%
Underwriting Margin	**72**	**24%**	**71**	**24%**	**16**	**10%**	**18**	**12%**

* Percent of Premium

Annualized premium issued increased 3% to $66 million. Premium income increased 2% to $453 million, and underwriting margins decreased 1% to $88 million.

Our sales force sold almost 175,000 life insurance policies during the year with an average face amount in excess of $35,000. Of the $453 million of premium income, less than $50,000 was received by means of the home collection process. Liberty National has come a long way since ten years ago when it was rightfully labeled as a "debit" life insurance company.

Although we were disappointed with the growth in life insurance sales for the year, we were pleased with the growth in agents; we ended the year with 2,162 producing agents, up 6% from the prior year. For a number of reasons, agents who have been with the company more than one year produce more business than agents in their first year. Currently, over 50% of our sales force have been with the company less than one year. With ongoing recruiting and training efforts, we will continue to grow our sales force, and we look forward to greater growth in life insurance sales in 2002.

Anthony L. McWhorter

Executive Vice President

President and Chief Executive Officer of Liberty National and United Investors Life Insurance Companies

United American General Agency Operation

(In millions, except %)

	Life				Health			
	2001		2000		2001		2001	
	$	%*	$	%*	$	%*	$	%*
Annualized Premium Issued	24		26		74		85	
Underwriting Margin:								
Premium	48		43		464		442	
Policy Obligations	16	34%	19	44%	294	63%	276	62%
Acquisition Expenses	23	49%	17	41%	86	18%	86	20%
Underwriting Margin	**8**	**17%**	**7**	**15%**	**84**	**18%**	**80**	**18%**

* Percent of Premium

Annualized premium issued declined 12% to $98 million. Premium income increased 5% to $512 million, and underwriting margins increased 6% to $92 million.

Earlier in the year, we implemented a larger than normal overall rate increase on our Medicare supplement business; the overall rate increase was 16%, and it applied both to in force business and to new sales. The rate increase and fewer HMO disenrollees than in 2000 combined to have a dampening effect on our sales activity for the year.

The need for larger rate increases was not something that caught us by surprise. In recent years the regulatory authorities have been reluctant to approve 100% of the rate increases for which we filed, even though the claims experience clearly demonstrated we were above federal mandated minimum claims loss ratios. But in 2001, due to our persistence and to a softened regulatory resistance, we were able to substantially improve our rates. The collapse of many HMOs in the Medicare market has once again resulted in a realization that Medicare supplements are a time-proven means of providing quality protection to Medicare beneficiaries. This fact may have influenced the regulatory authorities.

We have diversification in our general agency sales: 25% of our new business is life insurance, 49% is Medicare supplement insurance, and 26% is other supplemental health insurance, primarily for individuals under age 65. And although the Medicare supplement rate increases in 2001 impacted sales in all product lines, our general agencies are comprised of seasoned agents who recognize the importance of representing a financially strong underwriter; they have adjusted to the rate increases and they will continue to grow their businesses.

Going forward in 2002, we expect growth in sales in all product lines.

Mark S. McAndrew

Executive Vice President

President and Chief Executive Officer of American Income, Globe Life and United American Insurance Companies

United American Branch Office Operation

(In millions, except %)

	Life				Health			
	2001		2000		2001		2000	
	$	%*	$	%*	$	%*	$	%*
Annualized Premium Issued	5		5		116		145	
Underwriting Margin:								
Premium	19		19		323		254	
Policy Obligations	10	53%	10	51%	210	65%	162	64%
Acquisition Expenses	7	34%	7	34%	61	19%	49	19%
Underwriting Margin	**3**	**14%**	**3**	**15%**	**52**	**16%**	**43**	**17%**

* Percent of Premium

Annualized premium issued declined 20% to $121 million. Premium income increased 25% to $342 million, and underwriting margins increased 19% to $55 million.

We ended the year with 84 branch offices and 1,644 producing agents. Unlike prior years, we no longer count an individual as an agent until he or she has produced a sale, thereby becoming a producing agent.

Although we haven't determined the number of producing agents at the beginning of 2001, the number was greater than the number at the end of the year. The Medicare supplement rate increases described in the previous section had an even greater negative impact on our branch office operations. There are two reasons for this result: (1) our branch office agents are much more dependent on Medicare supplement business...almost 90% of its sales are Medicare supplements, and (2) our branch office sales force currently lacks the maturity of our general agency agents. Extensive recruiting efforts in the past several years have resulted in a branch office sales force wherein almost 60% of our agents have been with the company less than one year.

Going forward into 2002, we may continue to see a decline in producing agents for the first half of the year. But our branch office system includes seasoned branch managers who know that recruiting and training new agents is the only way to grow our business. We expect the number of producing agents at the end of 2002 to exceed the number at the beginning of the year.

Rosemary J. Montgomery
Executive Vice President and Chief Actuary

Other Independent Agency Operations
(In millions, except %)

	Life			
	2001		2000	
	$	%*	$	%*
Annualized Premium Issued	32		37	
Underwriting Margin:				
Premium	245		227	
Policy Obligations	106	43%	96	42%
Acquisition Expenses	80	33%	76	34%
Underwriting Margin	**59**	**24%**	**55**	**24%**

* Percent of Premium

Annualized premium issued declined 14% to $32 million. Premium income increased 8% to $245 million, and underwriting margins increased 6% to $59 million.

Sales declined because of the termination of our marketing agreement with Waddell & Reed; sales from this source were $4 million in 2001 compared to $13 million in the prior year.

Our primary independent agency relationship is our military operation which is comprised of a large agency that sells exclusively to commissioned and noncommissioned military officers and their families. This agency is responsible for over 50% of the sales, premiums, and underwriting margins of our Other Independent Agency operations. The military agency produces new business for several other insurers, but over the past decade we have earned an increasingly larger portion of their total life production. We will strive to earn more of their production and the production of other independent partners in the future. In addition, we will continue to seek new partners for the sale of life insurance.

Administrative Expenses

Insurance administrative expenses increased 6% to $119 million, but as a percentage of premium income, these expenses declined from 5.5% in 2000 to 5.4% in 2001.

Torchmark has long been recognized as a low cost administrator. Our efficiency is derived from our dedication to simplifying procedures and then automating them; the result is not only reduced costs per dollar of premium income, but also improved service to our customers, both policyholders and agents.

Russell B. Tucker
Executive Vice President and Chief Investment Officer

Investments

Our investment strategy is to maximize the positive difference between investment yield and required yield on our net liabilities, and to avoid uncompensated risk. Our investment portfolio is concentrated in high quality fixed-maturity assets. Fixed-maturity assets represented 92% of our invested assets at year end. For a variety of reasons, not the least of which is our discomfort with other types of investment alternatives, fixed-maturity assets will likely become an increasing percentage of our invested assets. The average credit rating quality of the fixed-maturity portfolio was A- as rated by Standard & Poor's and A3 as rated by Moody's.

On a tax equivalent basis (i.e., recognizing that certain bonds are subject to lower federal taxes), our net investment income was $496 million. Excess investment income is the difference between our net investment income and the interest required on our net interest-bearing liabilities. Required investment income was $240 million, resulting in excess investment income of $256 million.

Primarily because of our stock repurchase program, comparing the change in excess investment income from one year to the next is misleading. A better comparison is on a per-share basis. Although excess investment income increased 13% in 2001, the increase was 15% on a per-share basis.

As noted in the chart below, Torchmark has entered into derivative agreements known as "interest rate swaps". In 2001, these agreements produced $8 million of excess investment income. Should interest rates rise dramatically over time, the current positive excess investment income from the "swaps" would reverse and become negative. We have concluded that the risk/reward is in our favor. Frankly, we hope that interest rates do rise, even to the point that these "swaps" produce negative excess investment income; for if this should happen, the substantial cash generated within our insurance and investment operations would also be invested at higher interest rates, and the net effect would be beneficial to our operating earnings.

2001 Investment Income
(in millions, except percent and per share amounts)

	Total*	Required	Excess
1) Invested Assets Supporting:			
Net Interest-Bearing Policy Liabilities:			
Life and Health Insurance	$197	$156	$41
Annuities	35	33	2
Debt	61	59 **	2
Interest Rate Swaps	0	(8)	8
(2) Remaining Invested Assets	203	0	203
	$496	$240	$256
Per Diluted Share	$3.94	$1.91	$2.03
Increase Over 2000	5%	(4%)	15%

* For illustrative purposes only, total investment income has been allocated pro rata based upon the net liabilities. Torchmark does not specifically allocate assets to liabilities.

** Consists of interest on debt and dividends on monthly income preferred securities.

Share Repurchase Program

Under the Company's active share repurchase program, during the year we repurchased almost 4.3 million shares of our outstanding stock at a cost of $159 million. Since 1986, we have repurchased our outstanding stock in all years except one, and the cumulative effect has been that we have repurchased 49% of our outstanding stock. We expect to continue this program into the future as a means of enhancing shareholder intrinsic value.

Accounting Practices

In recent months, corporate America or more specifically, corporate accounting practices have been subject to increased scrutiny and criticism, and rightfully so. With respect to Torchmark, our earnings are cash driven. For example, we do not rely on transactions covered in recent news stories that produce current revenues through mark-to-market or other methods with no near term cash flow. In addition, our earnings come from two primary sources: underwriting income from the insurance operations, and excess investment income from the investment operations. We present the results of these operations in the same manner that management utilizes to manage the business, and make every effort to explain how each operation contributes to our overall results.

With respect to the balance sheet, we have no off-balance sheet liabilities. We believe that our assets and liabilities are fairly stated and reported in full accordance with the directions provided by the Financial Accounting Standards Board (FASB). In light of some of the recent criticism directed toward FASB, maybe it's best that I just say we believe our assets, liabilities, and our operating results are fairly stated to the best of our abilities.

Shareholder Wealth

As you certainly have noticed, we have not increased the shareholder dividend rate in recent years. Furthermore, at least for the near term, my recommendation to the Board of Directors will be that we not increase the dividend rate.

In my opinion, shareholder dividends are the least effective means of increasing shareholder wealth, primarily due to double taxation...first, with the taxes that the company pays on the money that is earned, and again when shareholders pay taxes on the dividends received.

I believe there are better means of increasing shareholder wealth: The first is efficiently investing in our businesses in order to grow our earnings, which we do.

Secondly, making acquisitions that add value. A few shareholders have expressed concern that Torchmark has not made a major insurance acquisition since we acquired American Income in 1994. I remind them that we have made significant acquisitions in every year since 1994. For example, in each year beginning with 1998, we have spent between $126 million and $175 million for the purpose of acquiring our own stock, which we believe has generated a better return on investment than any other insurance acquisitions that have been available to us. And, as stated earlier, we expect to continue this acquisition program.

Thirdly, reducing higher cost debt adds shareholder value. Since 1997, we have reduced our debt from $1.1 billion to $885 million, and the overall required annual cost of our debt has been reduced from 8.5% to 6.5%. From our own perspective, reducing debt adds less shareholder value than repurchasing our stock, but we also must be cognizant of the financial rating agencies and the favorable ratings that our insurance companies have achieved; these ratings are most important to our ongoing insurance operations.

Therefore, for the time being we believe that using our capital to invest in our business, make acquisitions (whether other companies' or Torchmark stock) and efficient management of our debt are better means of producing shareholder wealth than an increase in shareholder dividends.

Outlook

In 2002, we expect continued growth in premium income and underwriting margins in all of our distribution systems, and we expect our administrative expenses to again decline as a percentage of premium income. We expect investment operations to again produce outstanding results. We will continue in our efforts to increase the intrinsic value of our shareholders' stock. We expect 2002 to be a good year for Torchmark.

C. B. Hudson
Chairman and Chief Executive Officer

Torchmark cautions you that this Letter to Shareholders may contain forward-looking statements within the meaning of the federal securities law. These prospective statements reflect management's current expectations, but are not guarantees of future performance. Accordingly, please refer to Torchmark's cautionary statement regarding forward-looking statements, and the business environment in which the Company operates, contained in the Company's Form 10K for the period ended December 31, 2001, found on the following pages and on file with the Securities and Exchange Commission. Torchmark specifically disclaims any obligation to update or revise any forward-looking statement because of new information, future developments or otherwise.

C.B. Hudson
Chairman and Chief Executive Officer

Condensed Consolidated Statement of Net Operating Income

(Unaudited and in thousands except per share amounts)

	Twelve months ended December 31, 2001	2000	% Inc (Decr)
Revenue:			
Life premium	$1,144,955	$1,082,904	6 %
Health premium	1,010,753	911,156	11
Other premium	59,461	52,150	14
Total	**2,215,169**	**2,046,210**	**8**
Investment income:			
Taxable equivalent basis	496,207	481,081	3
Taxable equivalent adjustment	(4,377)	(8,655)	
Other income	4,391	4,650	
Total operating revenue	**2,711,390**	**2,523,286**	**7**
Benefits and expenses:			
Benefits:			
Life	485,277	461,720	5
Health	648,997	575,286	13
Other	(901)	(2,937)	(69)
Commissions and acquisition expenses:			
Life	375,349	349,437	7
Health	188,298	174,754	8
Other	35,603	25,212	41
Interest on net policy liabilities:			
Life	158,357	148,393	7
Health	(2,427)	829	(393)
Other	33,253	34,564	(4)
Insurance administrative expenses	119,038	111,817	6
Corporate expenses	10,104	9,369	8
Interest on debt and dividends on MIPS/Trust Preferred	51,479	70,309	(27)
Income taxes	204,378	187,166	9
Amortization of goodwill	12,075	12,075	0
Total benefits and expenses	**2,318,880**	**2,157,994**	**7 %**
Net operating income	**$392,510**	**$365,292**	**7 %**
Net operating income per diluted share	**$3.12**	**$2.85**	**9 %**
Diluted average shares outstanding	**125,861**	**128,353**	
Net operating income	$392,510	$365,292	
Non operating items, net of tax:			
Realized investment losses	(1,580)	(3,459)	
Gain/(loss) on redemption of debt	(4,553)	202	
Discontinued operations	(3,280)	0	
Change in accounting principle	(26,584)	0	
Net income	**$356,513**	**$362,035**	

The Condensed Consolidated Statement of Net Operating Income has been prepared in the manner Torchmark management uses to evaluate the operating results of the company. It differs from the Consolidated Statement of Operations found in the attached SEC Form 10-K primarily by the reclassification of interest on net policy liabilities and the exclusion of the nonoperating items listed above.

Condensed Consolidated Balance Sheet

(Unaudited and in thousands except per share amounts)

	At December 31, 2001	2000
Assets:		
Fixed maturities at fair value *	$6,526,429	$5,949,515
Cash and short-term investments	137,870	135,635
Mortgages and real estate	126,268	134,125
Other investments	317,521	287,017
Deferred acquisition costs	2,182,362	2,075,319
Goodwill	378,436	390,509
Other assets	256,983	249,023
Separate account assets	2,502,284	3,741,415
Total assets	**$12,428,153**	**$12,962,558**
Liabilities and shareholders' equity:		
Policy liabilities	$5,771,815	$5,523,016
Accrued income taxes *	580,287	423,327
Short-term debt	204,037	329,148
Long-term debt	536,152	365,989
Other liabilities	191,894	183,908
Separate account liabilities	2,502,284	3,741,415
Trust preferred securities	144,557	193,395
Shareholders' equity *	2,497,127	2,202,360
Total liabilities and shareholders' equity	**$12,428,153**	**$12,962,558**
Actual shares outstanding:		
Basic	122,888	126,389
Diluted	123,354	127,339
*** Excluding the fair value adjustment under accounting standard FAS 115:**		
Fixed maturities	$6,528,244	$6,185,500
Accrued income taxes	580,450	498,294
Shareholders' equity	2,497,429	2,341,584
Book value per common share	$20.32	$18.53
Return on equity	16.1%	16.3%
Debt to capital ratio	21.9%	21.5%
Annualized life and health premium in force:		
Life	$1,257,413	$1,200,144
Health	1,042,643	1,004,299
Total	**$2,300,056**	**$2,204,443**

The complete financial statements are found in the attached SEC Form 10-K with additional schedules and footnotes thereto.

Directors

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President of the University of Oklahoma
Norman, OK

Joseph M. Farley
Of Counsel in the Birmingham, AL
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Officer of NW Ayer, Inc.
New York, NY

C.B. Hudson
Chairman and Chief Executive Officer
of Torchmark

Joseph L. Lanier, Jr.
Chairman of the Board and Chief Executive Officer
of Dan River Incorporated
Danville, VA

Mark S. McAndrew
President and Chief Executive Officer of United
American, Globe and American Income

Harold T. McCormick
Chairman and Chief Executive Officer of
Bay Point Yacht and Country Club
Panama City, FL

Joseph W. Morris
Partner in the Tulsa, OK,
law firm of Gable & Gotwals

George J. Records
Chairman of Midland Financial Co.
Oklahoma City, OK

R.K. Richey
Chairman of the Executive Committee
of the Board of Directors of Torchmark

Lamar C. Smith
Chairman and Chief Executive Officer of
First Command Financial Services, Inc.
Fort Worth, TX

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Vice President, Associate Counsel and Secretary

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Executive Vice President and Chief Actuary

Spencer H. Stone
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Roger K. Smith
Executive Vice President and Sales Director

Globe Life

Mark S. McAndrew
President and Chief Executive Officer

Glenn D. Williams
Executive Vice President

Liberty National Life

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Ronald D. Watts
Executive Vice President and Chief
Marketing Officer

United American

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President of General Agency Marketing Division

Andrew W. King
President of Branch Office Marketing Division

United Investors Life

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