

# TORCHMARK CORPORATION

## Operating Summary (Unaudited) (In thousands, except per share amounts)

6 Months Ended			2Q	1Q	4Q	3Q	2Q
6/03	6/02		2003	2003	2002	2002	2002
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$647,324	\$604,902	Premium	\$326,764	\$320,560	\$308,545	\$307,296	\$306,549
-282,007	-268,001	Net Policy Obligations	-142,503	-139,504	-135,112	-131,394	-136,792
-205,257	-191,584	Commissions and Acquisition Expenses	-103,504	-101,753	-96,465	-98,966	-96,887
<u>160,060</u>	<u>145,317</u>	Underwriting Margin	<u>80,757</u>	<u>79,303</u>	<u>76,968</u>	<u>76,936</u>	<u>72,870</u>
		Health:					
518,982	517,075	Premium	256,576	262,406	250,977	251,068	254,568
-338,826	-332,952	Net Policy Obligations	-168,806	-170,020	-163,287	-162,321	-163,871
-98,298	-97,903	Commissions and Acquisition Expenses	-48,472	-49,826	-47,539	-47,631	-48,150
<u>81,858</u>	<u>86,220</u>	Underwriting Margin	<u>39,298</u>	<u>42,560</u>	<u>40,151</u>	<u>41,116</u>	<u>42,547</u>
<u>4,837</u>	<u>8,090</u>	Annuity Underwriting Margin	<u>2,629</u>	<u>2,208</u>	<u>2,790</u>	<u>2,541</u>	<u>4,352</u>
246,755	239,627	Total Underwriting Margin	122,684	124,071	119,909	120,593	119,769
1,859	1,909	Other Income	826	1,033	805	1,192	960
-64,751	-61,496	Admin. Expenses	-31,239	-33,512	-31,572	-31,537	-30,222
183,863	180,040	Underwriting Income	92,271	91,592	89,142	90,248	90,507
		<b>EXCESS INVESTMENT INCOME</b>					
274,014	258,194	Net Investment Income	137,673	136,341	132,636	131,489	129,035
		Required Interest:					
-101,151	-95,099	Net Policy Liabilities	-51,375	-49,776	-49,074	-48,634	-47,600
		Financing Costs:					
-22,202	-23,240	Interest on Debt	-11,065	-11,137	-11,248	-11,460	-11,552
-5,824	-5,825	MIPS/Trust Preferred Dividend	-2,913	-2,911	-2,913	-2,913	-2,912
12,919	11,477	Interest Rate Swaps	6,481	6,438	5,920	5,689	5,740
157,756	145,507	Total Excess Investment Income	78,801	78,955	75,321	74,171	72,711
		<b>OTHER</b>					
-5,381	-5,457	Parent Companies	-2,820	-2,561	-2,468	-2,598	-2,116
-1,807	-1,916	Tax Equivalent Adjustment	-902	-905	-877	-908	-960
<u>-7,188</u>	<u>-7,373</u>		<u>-3,722</u>	<u>-3,466</u>	<u>-3,345</u>	<u>-3,506</u>	<u>-3,076</u>
334,431	318,174	Pre-Tax Operating Income	167,350	167,081	161,118	160,913	160,142
-114,310	-107,287	Income Tax	-57,231	-57,079	-54,780	-54,529	-54,073
<b>\$220,121</b>	<b>\$210,887</b>	<b>Adjusted Net Operating Income</b>	<b>\$110,119</b>	<b>\$110,002</b>	<b>\$106,338</b>	<b>\$106,384</b>	<b>\$106,069</b>
<b>\$1.88</b>	<b>\$1.72</b>	<b>EPS on a Diluted Basis</b>	<b>\$0.95</b>	<b>\$0.93</b>	<b>\$0.90</b>	<b>\$0.89</b>	<b>\$0.87</b>
116,778	122,305	Average Diluted Shares Outstanding	115,763	117,784	118,719	119,506	121,694
-10,097	-\$51,979	Capital Gain (Loss), Net of Tax	-\$2,019	-\$8,078	-\$349	\$598	-\$50,867
201	1,958	Capital Gain (Loss), Net of Tax - Interest Rate Swaps	1,492	-1,291	-797	10,393	7,510
<u>\$210,225</u>	<u>\$160,866</u>	Net Income	<u>\$109,592</u>	<u>\$100,633</u>	<u>\$105,192</u>	<u>\$117,375</u>	<u>\$62,712</u>

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	2Q 2003	%	2Q 2002	%	2Q 2003	%	2Q 2002	%	2Q 2003	2Q 2002
<b>LNL Exclusive Agency</b>										
Premium	76,741		75,933		40,256		39,458			
Net Policy Obligations	37,554	49	37,100	49	32,169	80	28,378	72		
Comm. & Acq. Exp.	23,301	30	22,507	30	7,087	18	6,971	18		
Underwriting Margin	15,886	21	16,326	22	1,000	2	4,109	10		
<b>UA Independent</b>										
Premium	13,209		12,504		117,325		115,818			
Net Policy Obligations	6,017	46	6,420	51	74,385	63	73,451	63		
Comm. & Acq. Exp.	5,618	43	5,252	42	21,709	19	21,411	18		
Underwriting Margin	1,574	12	832	7	21,231	18	20,956	18		
<b>UA Branch Office Agency</b>										
Premium	4,736		4,956		78,495		80,438			
Net Policy Obligations	2,320	49	2,653	54	51,335	65	52,606	65		
Comm. & Acq. Exp.	1,680	35	1,640	33	15,700	20	16,072	20		
Underwriting Margin	736	16	663	13	11,460	15	11,760	15		
<b>Direct Response</b>										
Premium	87,854		79,620		6,707		5,951			
Net Policy Obligations	41,817	48	39,018	49	5,375	80	4,598	77		
Comm. & Acq. Exp.	24,496	28	22,346	28	555	8	460	8		
Underwriting Margin	21,541	25	18,256	23	777	12	893	15		
<b>American Income Agency</b>										
Premium	77,153		68,941		13,793		12,903			
Net Policy Obligations	25,920	34	24,058	35	5,542	40	4,838	37		
Comm. & Acq. Exp.	27,914	36	24,226	35	3,421	25	3,236	25		
Underwriting Margin	23,319	30	20,657	30	4,830	35	4,829	37		
<b>Military</b>										
Premium	40,958		36,625							
Net Policy Obligations	18,838	46	16,812	46						
Comm. & Acq. Exp.	12,176	30	10,895	30						
Underwriting Margin	9,944	24	8,918	24						
<b>Other Distribution</b>										
Premium	26,113		27,970						8,126	10,419
Net Policy Obligations	10,037	38	10,731	38					236	-706
Comm. & Acq. Exp.	8,319	32	10,021	36					5,261	6,773
Underwriting Margin	7,757	30	7,218	26					2,629	4,352
<b>Totals:</b>										
Premium	326,764		306,549		256,576		254,568		8,126	10,419
Net Policy Obligations	142,503	44	136,792	45	168,806	66	163,871	64	236	-706
Comm. & Acq. Exp.	103,504	32	96,887	32	48,472	19	48,150	19	5,261	6,773
Underwriting Margin	80,757	25	72,870	24	39,298	15	42,547	17	2,629	4,352
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					122,684		119,769			
Other Income					826		960			
Administrative & Other Expenses					-31,239		-30,222			
Insurance Underwriting Income					92,271		90,507			

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	YTD 6/03	%	YTD 6/02	%	YTD 6/03	%	YTD 6/02	%	YTD 6/03	YTD 6/02
<b>LNL Exclusive Agency</b>										
Premium	152,808		151,212		80,786		79,335			
Net Policy Obligations	74,032	48	72,348	48	62,293	77	57,499	72		
Comm. & Acq. Exp.	45,712	30	44,448	29	14,434	18	14,079	18		
Underwriting Margin	<u>33,064</u>	22	<u>34,416</u>	23	<u>4,059</u>	5	<u>7,757</u>	10		
<b>UA Independent</b>										
Premium	26,221		24,714		238,945		238,353			
Net Policy Obligations	11,879	45	11,993	49	151,492	63	151,119	63		
Comm. & Acq. Exp.	11,173	43	10,330	42	44,208	19	44,095	18		
Underwriting Margin	<u>3,169</u>	12	<u>2,391</u>	10	<u>43,245</u>	18	<u>43,139</u>	18		
<b>UA Branch Office Agency</b>										
Premium	9,510		9,777		159,071		162,593			
Net Policy Obligations	4,719	50	5,244	54	104,032	65	105,990	65		
Comm. & Acq. Exp.	3,355	35	3,255	33	31,816	20	32,519	20		
Underwriting Margin	<u>1,436</u>	15	<u>1,278</u>	13	<u>23,223</u>	15	<u>24,084</u>	15		
<b>Direct Response</b>										
Premium	174,182		157,711		13,029		11,222			
Net Policy Obligations	82,391	47	76,025	48	10,437	80	8,894	79		
Comm. & Acq. Exp.	48,951	28	44,005	28	994	8	861	8		
Underwriting Margin	<u>42,840</u>	25	<u>37,681</u>	24	<u>1,598</u>	12	<u>1,467</u>	13		
<b>American Income Agency</b>										
Premium	151,869		134,485		27,151		25,572			
Net Policy Obligations	51,624	34	46,705	35	10,572	39	9,450	37		
Comm. & Acq. Exp.	55,127	36	47,700	35	6,846	25	6,349	25		
Underwriting Margin	<u>45,118</u>	30	<u>40,080</u>	30	<u>9,733</u>	36	<u>9,773</u>	38		
<b>Military</b>										
Premium	80,885		72,385							
Net Policy Obligations	37,917	47	34,606	48						
Comm. & Acq. Exp.	24,005	30	21,701	30						
Underwriting Margin	<u>18,963</u>	23	<u>16,078</u>	22						
<b>Other Distribution</b>										
Premium	51,849		54,618						15,633	20,800
Net Policy Obligations	19,445	38	21,080	39					430	-1,678
Comm. & Acq. Exp.	16,934	33	20,145	37					10,366	14,388
Underwriting Margin	<u>15,470</u>	30	<u>13,393</u>	25					<u>4,837</u>	<u>8,090</u>
<b>Totals:</b>										
Premium	647,324		604,902		518,982		517,075		15,633	20,800
Net Policy Obligations	282,007	44	268,001	44	338,826	65	332,952	64	430	-1,678
Comm. & Acq. Exp.	205,257	32	191,584	32	98,298	19	97,903	19	10,366	14,388
Underwriting Margin	<u>160,060</u>	25	<u>145,317</u>	24	<u>81,858</u>	16	<u>86,220</u>	17	<u>4,837</u>	<u>8,090</u>
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					246,755		239,627			
Other Income					1,859		1,909			
Administrative & Other Expenses					<u>-64,751</u>		<u>-61,496</u>			
Insurance Underwriting Income					<u>183,863</u>		<u>180,040</u>			

**TORCHMARK CORPORATION**  
Insurance Sales and In Force (Unaudited)  
(In thousands)

<b>SALES</b>	<b>YTD 6/03</b>	<b>YTD 6/02</b>	<b>% Incr (Decr)</b>	<b>2nd Qtr. 2003</b>	<b>2nd Qtr. 2002</b>	<b>% Incr (Decr)</b>
<b>LIFE</b>						
Direct Response	\$76,642	\$60,662	26	\$39,143	\$31,421	25
LNL Exclusive Agency	27,277	28,429	-4	13,220	14,372	-8
American Income Agency	49,843	44,195	13	26,895	24,821	8
Military	13,154	11,739	12	7,007	6,226	13
UA Branch Office Agency	1,519	3,413	-55	788	1,767	-55
UA Independent	11,628	12,852	-10	6,614	7,095	-7
Other Distribution	3,230	3,933	-18	1,614	2,029	-20
Total Life	<u>183,293</u>	<u>165,223</u>	<u>11</u>	<u>95,281</u>	<u>87,731</u>	<u>9</u>
<b>HEALTH</b>						
Direct Response	8,094	5,934	36	5,683	3,772	51
LNL Exclusive Agency	5,449	6,171	-12	2,861	3,525	-19
American Income Agency	6,154	5,590	10	3,355	3,156	6
UA Branch Office Agency	37,934	38,829	-2	21,337	18,984	12
UA Independent	49,699	46,161	8	25,758	23,243	11
Total Health *	<u>107,330</u>	<u>102,685</u>	<u>5</u>	<u>58,994</u>	<u>52,680</u>	<u>12</u>
 TOTAL SALES	 \$290,623	 \$267,908	 8	 \$154,275	 \$140,411	 10
* Includes Med Supp Sales	\$41,595	\$58,584	-29	\$21,908	\$27,284	-20

**IN FORCE AT END OF PERIOD**

	<b>2Q 03</b>	<b>2Q 02</b>	<b>\$ Incr (Decr)</b>	<b>% Incr (Decr)</b>
<b>LIFE</b>				
Direct Response	\$382,946	\$344,367	\$38,579	11
LNL Exclusive Agency	321,139	318,761	2,378	1
American Income Agency	323,243	284,780	38,463	14
Military	168,817	150,241	18,576	12
UA Branch Office Agency	20,446	21,776	-1,330	-6
UA Independent	58,777	56,507	2,270	4
Other Distribution	123,658	130,157	-6,499	-5
Total Life	<u>1,399,026</u>	<u>1,306,589</u>	<u>92,437</u>	<u>7</u>
<b>HEALTH</b>				
Direct Response	29,717	24,971	4,746	19
LNL Exclusive Agency	164,025	163,549	476	0
American Income Agency	52,431	49,694	2,737	6
UA Branch Office Agency	319,739	326,732	-6,993	-2
UA Independent	477,992	475,143	2,849	1
Total Health **	<u>1,043,904</u>	<u>1,040,089</u>	<u>3,815</u>	<u>0</u>
 TOTAL IN FORCE	 \$2,442,930	 \$2,346,678	 \$96,252	 4
** Includes Med Supp In Force	\$706,105	\$744,238	-\$38,133	-5

**TORCHMARK CORPORATION**  
**CONSOLIDATED BALANCE SHEET (UNAUDITED)**  
**(Amounts in thousands)**

	At June 30,	
	2003	2002
<b>Assets</b>		
Investments:		
Fixed maturities available for sale *	\$7,792,110	\$6,742,143
Equity securities available for sale	60,732	10,133
Mortgage loans	123,425	117,254
Real estate	14,771	13,651
Policy loans	285,876	271,394
Other long-term investments	80,543	57,527
Short-term investments	126,352	24,807
Total investments	8,483,809	7,236,909
Cash	7,669	3,068
Accrued investment income	135,321	127,681
Other receivables	69,947	74,975
Deferred acquisition costs	2,237,869	2,126,018
Value of insurance purchased	95,162	109,004
Property and equipment	32,804	34,309
Goodwill	378,436	378,436
Other assets	23,557	12,133
Separate account assets	1,632,317	1,988,871
Total assets	\$13,096,891	\$12,091,404
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Future policy benefits	\$5,974,712	\$5,499,416
Unearned and advance premium	97,278	94,712
Policy claims and other benefits payable	246,232	250,087
Other policy liabilities	85,642	81,918
Accrued income taxes	924,674	613,348
Short-term debt	133,462	182,642
Long-term debt	554,254	540,753
Other liabilities	121,108	130,784
Separate account liabilities	1,632,317	1,988,871
Total liabilities	9,769,679	9,382,531
Trust preferred securities	144,438	144,417
Shareholders' equity:		
Preferred stock	0	0
Common stock	118,784	126,801
Additional paid-in-capital	521,202	553,974
Unrealized investment gains (losses), net of tax	451,744	32,178
Retained earnings	2,246,170	2,116,857
Treasury stock, at cost	-155,126	-265,354
Total shareholders' equity	3,182,774	2,564,456
Total liabilities and shareholders' equity	\$13,096,891	\$12,091,404
Diluted Basis:		
Shares outstanding	114,948	120,386
Book value per common share	\$27.69	\$21.30
Book value per common share excluding FAS 115	\$23.79	\$20.98
Return on common equity, excluding FAS 115 and realized investment gains and losses	16.3%	16.7%
* Amortized cost of fixed maturities	\$7,057,873	\$6,679,081
Debt to total capitalization ratio (excluding FAS 115), preferred as debt	23.3%	25.6%

**TORCHMARK CORPORATION**

Fixed Maturities

(Millions of \$)

June 30, 2003

**Total Fixed Maturities**

	<u>6/30/03</u>	<u>12/31/02</u>
Amortized Cost	\$7,058	6,889
Unrealized:		
Gains	788	482
Losses	<u>-54</u>	<u>-177</u>
Market	\$7,792	7,194

**Fixed Maturities at 6/30/03**

	<u>Amort.</u>	<u>Unrealized</u>			<u>Market</u>	<u>Ratings</u>
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	<u>Net</u>		
Investment Grade	\$6,342	754	-15	739	7,081	A3/A-
Below Investment Grade	<u>716</u>	<u>34</u>	<u>-39</u>	<u>-5</u>	<u>711</u>	B1/B+
Total	\$7,058	788	-54	734	7,792	Baa1/BBB+

**Realized Gains (Losses):**

	<u>2Q'03</u>	<u>2Q'02</u>
Sales:		
Gains	\$6	10
Losses	-9	-5
Writedowns	<u>0</u>	<u>-83</u>
Net Losses - Pre Tax	-3	-78
Net Losses - After Tax	-2	-51

**Below Investment Grade Bonds**

	<u>2Q'03</u>	<u>1Q'03</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Beginning of Period	\$722	\$656	559	393	
Purchases	2	0	33	100	
Dispositions	-47	-16	-121	-124	
Writedowns	0	-10	-89	-17	
Net Downgrades	<u>38</u>	<u>92</u>	<u>274</u>	<u>207</u>	
End of Period	\$716	\$722	656	559	393
% of Total Fixed Maturities	10.1%	10.3%	9.5%	8.6%	6.4%