

TORCHMARK CORPORATION

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

9 Months Ended			3Q	2Q	1Q	4Q	3Q
9/04	9/03		2004	2004	2004	2003	2003
		UNDERWRITING INCOME					
		Life:					
\$1,043,516	\$976,864	Premium	\$349,814	\$350,592	\$343,110	\$333,596	\$329,540
-454,456	-424,587	Net Policy Obligations	-150,481	-154,880	-149,095	-141,980	-142,580
-329,228	-310,547	Commissions and Acquisition Expenses	-110,414	-109,381	-109,433	-107,795	-105,290
<u>259,832</u>	<u>241,730</u>	Underwriting Margin	<u>88,919</u>	<u>86,331</u>	<u>84,582</u>	<u>83,821</u>	<u>81,670</u>
		Health:					
793,342	774,306	Premium	259,630	263,482	270,230	259,725	255,324
-511,441	-503,085	Net Policy Obligations	-168,836	-168,657	-173,948	-168,913	-164,259
-147,384	-147,888	Commissions and Acquisition Expenses	-46,655	-49,561	-51,168	-49,781	-49,590
<u>134,517</u>	<u>123,333</u>	Underwriting Margin	<u>44,139</u>	<u>45,264</u>	<u>45,114</u>	<u>41,031</u>	<u>41,475</u>
<u>10,188</u>	<u>7,806</u>	Annuity Underwriting Margin	<u>3,179</u>	<u>3,594</u>	<u>3,415</u>	<u>2,801</u>	<u>2,969</u>
404,537	372,869	Total Underwriting Margin	136,237	135,189	133,111	127,653	126,114
1,317	2,262	Other Income	436	449	432	320	403
-105,611	-97,472	Admin. Expenses	-35,286	-35,553	-34,772	-33,842	-32,721
<u>300,243</u>	<u>277,659</u>	Underwriting Income	<u>101,387</u>	<u>100,085</u>	<u>98,771</u>	<u>94,131</u>	<u>93,796</u>
		EXCESS INVESTMENT INCOME					
430,712	410,479	Net Investment Income	145,165	143,912	141,635	142,494	138,272
		Required Interest:					
-159,210	-152,675	Net Policy Liabilities	-53,908	-53,183	-52,119	-53,223	-51,524
		Financing Costs:					
-33,134	-33,187	Interest on Debt	-11,053	-11,077	-11,004	-10,941	-10,985
-8,736	-8,735	Trust Preferred Distribution	-2,912	-2,912	-2,912	-2,912	-2,911
<u>19,771</u>	<u>19,625</u>	Interest Rate Swaps	<u>6,600</u>	<u>6,492</u>	<u>6,679</u>	<u>6,681</u>	<u>6,706</u>
249,403	235,507	Total Excess Investment Income	83,892	83,232	82,279	82,099	79,558
-7,019	-7,724	Parent Companies	-2,109	-2,448	-2,462	-2,510	-2,343
542,627	505,442	Pre-Tax Operating Income	183,170	180,869	178,588	173,720	171,011
-186,920	-173,029	Income Tax	-63,128	-62,347	-61,445	-59,750	-58,719
\$355,707	\$332,413	Net Operating Income	\$120,042	\$118,522	\$117,143	\$113,970	\$112,292
\$3.16	\$2.87	EPS on a Diluted Basis	\$1.08	\$1.05	\$1.03	\$1.00	\$0.98
112,521	115,915	Average Diluted Shares Outstanding	110,938	112,615	114,052	113,866	114,254
\$5,713	-\$8,609	Capital Gain (Loss), Net of Tax	\$701	\$3,871	\$1,141	-\$497	\$1,488
-4,216	-5,697	Capital Gain (Loss), Net of Tax - Interest Rate Swaps	3,389	-8,835	1,230	-4,425	-5,898
3,003	0	Tax Settlements, Net of Tax	0	3,003	0	3,511	0
0	0	Capital Gain (Loss), Net of Tax - Sale of Airplane	0	0	0	-525	0
-7,163	0	Change in Accounting Principle, Net of Tax	0	0	-7,163	0	0
<u>\$353,044</u>	<u>\$318,107</u>	Net Income	<u>\$124,132</u>	<u>\$116,561</u>	<u>\$112,351</u>	<u>\$112,034</u>	<u>\$107,882</u>

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				ANNUITY	
	3Q 2004	%	3Q 2003	%	3Q 2004	%	3Q 2003	%	3Q 2004	3Q 2003
LNL Exclusive Agency										
Premium	75,417		76,063		40,735		41,577			
Net Policy Obligations	34,957	46	35,401	47	29,961	74	31,110	75		
Comm. & Acq. Exp.	<u>21,895</u>	29	<u>23,525</u>	31	<u>6,258</u>	15	<u>7,544</u>	18		
Underwriting Margin	18,565	25	17,137	23	4,516	11	2,923	7		
UA Independent										
Premium	12,172		13,291		114,849		113,859			
Net Policy Obligations	5,795	48	6,294	47	73,496	64	71,187	63		
Comm. & Acq. Exp.	<u>5,354</u>	44	<u>5,705</u>	43	<u>19,466</u>	17	<u>21,065</u>	19		
Underwriting Margin	1,023	8	1,292	10	21,887	19	21,607	19		
UA Branch Office Agency										
Premium	4,430		4,627		80,208		78,210			
Net Policy Obligations	2,469	56	2,333	50	52,260	65	50,049	64		
Comm. & Acq. Exp.	<u>1,533</u>	35	<u>1,574</u>	34	<u>16,298</u>	20	<u>16,740</u>	21		
Underwriting Margin	428	10	720	16	11,650	15	11,421	15		
Direct Response										
Premium	96,700		87,734		8,649		7,371			
Net Policy Obligations	45,421	47	41,597	47	6,512	75	5,908	80		
Comm. & Acq. Exp.	<u>27,519</u>	28	<u>24,574</u>	28	<u>870</u>	10	<u>683</u>	9		
Underwriting Margin	23,760	25	21,563	25	1,267	15	780	11		
American Income Agency										
Premium	88,425		79,916		15,189		14,307			
Net Policy Obligations	29,316	33	27,376	34	6,607	43	6,005	42		
Comm. & Acq. Exp.	<u>31,805</u>	36	<u>29,085</u>	36	<u>3,763</u>	25	<u>3,558</u>	25		
Underwriting Margin	27,304	31	23,455	29	4,819	32	4,744	33		
Military										
Premium	47,523		42,136							
Net Policy Obligations	22,351	47	19,087	45						
Comm. & Acq. Exp.	<u>14,389</u>	30	<u>12,635</u>	30						
Underwriting Margin	10,783	23	10,414	25						
Other Distribution										
Premium	25,147		25,773						6,545	7,334
Net Policy Obligations	10,172	40	10,492	41					-955	-297
Comm. & Acq. Exp.	<u>7,919</u>	31	<u>8,192</u>	32					<u>4,321</u>	<u>4,662</u>
Underwriting Margin	7,056	28	7,089	28					3,179	2,969
Totals:										
Premium	349,814		329,540		259,630		255,324		6,545	7,334
Net Policy Obligations	150,481	43	142,580	43	168,836	65	164,259	64	-955	-297
Comm. & Acq. Exp.	<u>110,414</u>	32	<u>105,290</u>	32	<u>46,655</u>	18	<u>49,590</u>	19	<u>4,321</u>	<u>4,662</u>
Underwriting Margin	88,919	25	81,670	25	44,139	17	41,475	16	3,179	2,969
TOTAL UNDERWRITING MARGINS, ALL LINES					136,237		126,114			
Other Income					436		403			
Administrative & Other Expenses					<u>-35,286</u>		<u>-32,721</u>			
Insurance Underwriting Income					<u>101,387</u>		<u>93,796</u>			

TORCHMARK CORPORATION

Insurance Operations (Unaudited)
(In thousands)

	LIFE				HEALTH				ANNUITY	
	YTD 9/04	%	YTD 9/03	%	YTD 9/04	%	YTD 9/03	%	YTD 9/04	YTD 9/03
LNL Exclusive Agency										
Premium	228,681		228,871		123,670		122,363			
Net Policy Obligations	108,485	47	109,433	48	88,491	72	93,403	76		
Comm. & Acq. Exp.	67,429	29	69,237	30	20,044	16	21,978	18		
Underwriting Margin	<u>52,767</u>	23	<u>50,201</u>	22	<u>15,135</u>	12	<u>6,982</u>	6		
UA Independent										
Premium	37,952		39,512		356,124		352,804			
Net Policy Obligations	17,980	47	18,173	46	226,342	64	222,679	63		
Comm. & Acq. Exp.	16,474	43	16,878	43	64,189	18	65,273	19		
Underwriting Margin	<u>3,498</u>	9	<u>4,461</u>	11	<u>65,593</u>	18	<u>64,852</u>	18		
UA Branch Office Agency										
Premium	13,513		14,137		243,467		237,281			
Net Policy Obligations	7,100	53	7,052	50	158,633	65	154,081	65		
Comm. & Acq. Exp.	4,726	35	4,929	35	49,348	20	48,556	20		
Underwriting Margin	<u>1,687</u>	12	<u>2,156</u>	15	<u>35,486</u>	15	<u>34,644</u>	15		
Direct Response										
Premium	290,315		261,916		25,890		20,400			
Net Policy Obligations	137,331	47	123,988	47	20,347	79	16,345	80		
Comm. & Acq. Exp.	80,510	28	73,525	28	2,604	10	1,677	8		
Underwriting Margin	<u>72,474</u>	25	<u>64,403</u>	25	<u>2,939</u>	11	<u>2,378</u>	12		
American Income Agency										
Premium	259,322		231,785		44,191		41,458			
Net Policy Obligations	86,520	33	79,000	34	17,628	40	16,577	40		
Comm. & Acq. Exp.	94,175	36	84,212	36	11,199	25	10,404	25		
Underwriting Margin	<u>78,627</u>	30	<u>68,573</u>	30	<u>15,364</u>	35	<u>14,477</u>	35		
Military										
Premium	138,259		123,021							
Net Policy Obligations	66,357	48	57,004	46						
Comm. & Acq. Exp.	41,660	30	36,640	30						
Underwriting Margin	<u>30,242</u>	22	<u>29,377</u>	24						
Other Distribution										
Premium	75,474		77,622						20,577	22,967
Net Policy Obligations	30,683	41	29,937	39					-2,736	133
Comm. & Acq. Exp.	24,254	32	25,126	32					13,125	15,028
Underwriting Margin	<u>20,537</u>	27	<u>22,559</u>	29					<u>10,188</u>	<u>7,806</u>
Totals:										
Premium	1,043,516		976,864		793,342		774,306		20,577	22,967
Net Policy Obligations	454,456	44	424,587	43	511,441	64	503,085	65	-2,736	133
Comm. & Acq. Exp.	329,228	32	310,547	32	147,384	19	147,888	19	13,125	15,028
Underwriting Margin	<u>259,832</u>	25	<u>241,730</u>	25	<u>134,517</u>	17	<u>123,333</u>	16	<u>10,188</u>	<u>7,806</u>
TOTAL UNDERWRITING MARGINS, ALL LINES					404,537		372,869			
Other Income					1,317		2,262			
Administrative & Other Expenses					<u>-105,611</u>		<u>-97,472</u>			
Insurance Underwriting Income					<u><u>300,243</u></u>		<u><u>277,659</u></u>			

TORCHMARK CORPORATION

First Year Collected Premium and Annualized Premium In Force (Unaudited)
(In thousands)

FIRST YEAR COLLECTED PREMIUM

	YTD 9/04	YTD 9/03	% Incr (Decr)	3rd Qtr. 2004	3rd Qtr. 2003	% Incr (Decr)
LIFE						
Direct Response	\$56,156	\$46,231	21	\$18,534	\$15,857	17
LNL Exclusive Agency	30,442	30,773	-1	9,796	10,002	-2
American Income Agency	57,988	53,365	9	19,074	18,459	3
Military	20,552	17,876	15	7,042	6,159	14
UA Branch Office Agency	1,443	1,811	-20	472	500	-6
UA Independent	6,249	9,275	-33	1,676	3,012	-44
Other Distribution	5,980	5,312	13	2,037	1,736	17
Total Life	<u>178,810</u>	<u>164,643</u>	<u>9</u>	<u>58,631</u>	<u>55,725</u>	<u>5</u>
HEALTH						
Direct Response	7,310	5,248	39	2,002	2,271	-12
LNL Exclusive Agency	7,372	6,998	5	2,457	2,286	7
American Income Agency	9,461	8,894	6	3,454	3,279	5
UA Branch Office Agency	48,425	39,394	23	16,661	13,654	22
UA Independent	52,817	46,198	14	17,481	15,462	13
Total Health *	<u>125,385</u>	<u>106,732</u>	<u>17</u>	<u>42,055</u>	<u>36,952</u>	<u>14</u>
TOTAL FIRST YEAR COLLECTED PREMIUM	\$304,195	\$271,375	12	\$100,686	\$92,677	9
* Includes Med Supp First Year Collected Premium	\$42,927	\$48,869	-12	\$13,376	\$15,254	-12

IN FORCE AT END OF PERIOD

	3Q 04	3Q 03	\$ Incr (Decr)	% Incr (Decr)
LIFE				
Direct Response	\$438,319	\$393,278	\$45,041	11
LNL Exclusive Agency	320,069	320,346	-277	0
American Income Agency	367,561	334,134	33,427	10
Military	195,270	173,777	21,493	12
UA Branch Office Agency	19,126	20,072	-946	-5
UA Independent	52,529	58,580	-6,051	-10
Other Distribution	118,255	122,128	-3,873	-3
Total Life	<u>1,511,129</u>	<u>1,422,315</u>	<u>88,814</u>	<u>6</u>
HEALTH				
Direct Response	36,516	33,188	3,328	10
LNL Exclusive Agency	169,087	178,396	-9,309	-5
American Income Agency	56,957	53,294	3,663	7
UA Branch Office Agency	327,159	319,838	7,321	2
UA Independent	478,231	478,635	-404	0
Total Health **	<u>1,067,950</u>	<u>1,063,351</u>	<u>4,599</u>	<u>0</u>
TOTAL IN FORCE	\$2,579,079	\$2,485,666	\$93,413	4
** Includes Med Supp In Force	\$653,810	\$695,549	-\$41,739	-6

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

	At September 30,	
	2004	2003
<u>Assets</u>		
Investments:		
Fixed maturities available for sale *	\$8,504,486	\$7,969,467
Equity securities available for sale	34,686	58,356
Mortgage loans	105,170	119,694
Real estate	13,603	14,769
Policy loans	302,131	289,418
Other long-term investments	45,033	69,792
Short-term investments	39,838	39,540
Total investments	9,044,947	8,561,036
Cash	4,130	10,494
Securities lending collateral	135,707	0
Accrued investment income	154,748	147,394
Other receivables	81,046	84,652
Deferred acquisition costs	2,459,567	2,286,956
Value of insurance purchased	80,018	91,646
Property and equipment	29,208	31,725
Goodwill	378,436	378,436
Other assets	15,396	12,931
Separate account assets	1,508,269	1,616,708
Total assets	\$13,891,472	\$13,221,978
<u>Liabilities and Shareholders' Equity</u>		
Liabilities:		
Future policy benefits	\$6,520,864	\$6,091,633
Unearned and advance premium	93,811	97,477
Policy claims and other benefits payable	256,967	243,861
Other policy liabilities	88,116	85,850
Accrued income taxes	993,598	911,292
Securities lending obligation	135,707	0
Short-term debt	132,933	170,942
Long-term debt	698,529	702,336
Other liabilities	118,628	128,849
Separate account liabilities	1,508,269	1,616,708
Total liabilities	10,547,422	10,048,948
Shareholders' equity:		
Preferred stock	0	0
Common stock	113,784	118,784
Additional paid-in-capital	505,385	521,745
Unrealized investment gains (losses), net of tax	400,115	405,693
Retained earnings	2,586,343	2,340,873
Treasury stock, at cost	-261,577	-214,065
Total shareholders' equity	3,344,050	3,173,030
Total liabilities and shareholders' equity	\$13,891,472	\$13,221,978
Diluted Basis:		
Shares outstanding	110,389	113,765
Book value per common share	\$30.29	\$27.89
Book value per common share excluding FAS 115	\$26.69	\$24.35
* Amortized cost of fixed maturities	\$7,855,066	\$7,310,395

TORCHMARK CORPORATION

Fixed Maturities
(Millions of \$)
September 30, 2004

Total Fixed Maturities

	<u>9/30/04</u>	<u>9/30/03</u>
Amortized Cost	\$7,855	\$7,310
Unrealized:		
Gains	679	709
Losses	<u>-30</u>	<u>-50</u>
Market	\$8,504	\$7,969

Fixed Maturities at 9/30/04

	Amort. Cost	Unrealized			Market	(1) Ratings
		<u>Gains</u>	<u>Losses</u>	<u>Net</u>		
Investment Grade	\$7,144	626	-14	612	7,756	A-
Below Investment Grade	<u>711</u>	<u>53</u>	<u>-16</u>	<u>37</u>	<u>749</u>	BB-
Total	\$7,855	679	-30	649	8,504	BBB+

Fixed Maturity Acquisitions:

	<u>3Q'04</u>	<u>3Q'03</u>
Amount	\$250	\$484
Yield	6.6%	6.3%
Ratings (1)	BBB	A-

Duration / Average Life of Portfolio:

	<u>9/30/04</u>	<u>9/30/03</u>
Duration	6.9	6.4
Average Life to:		
Worst Call	12.3	10.8
Maturity	15.4	14.3

(1) Bloomberg Composite Rating, which is generally the lower of Moody's or S&P.