

# TORCHMARK CORPORATION

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

3 Months Ended			1Q	4Q	3Q	2Q	1Q
3/05	3/04		2005	2004	2004	2004	2004
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$363,283	\$343,110	Premium	\$363,283	\$351,974	\$349,814	\$350,592	\$343,110
-157,342	-149,095	Net Policy Obligations	-157,342	-146,433	-150,481	-154,880	-149,095
-113,174	-109,433	Commissions and Acquisition Expenses	-113,174	-113,196	-110,414	-109,381	-109,433
<u>92,767</u>	<u>84,582</u>	Underwriting Margin	<u>92,767</u>	<u>92,345</u>	<u>88,919</u>	<u>86,331</u>	<u>84,582</u>
		Health:					
267,310	270,230	Premium	267,310	255,324	259,630	263,482	270,230
-172,167	-173,948	Net Policy Obligations	-172,167	-166,702	-168,836	-168,657	-173,948
-49,687	-51,168	Commissions and Acquisition Expenses	-49,687	-48,557	-46,655	-49,561	-51,168
<u>45,456</u>	<u>45,114</u>	Underwriting Margin	<u>45,456</u>	<u>40,065</u>	<u>44,139</u>	<u>45,264</u>	<u>45,114</u>
<u>2,938</u>	<u>3,415</u>	Annuity Underwriting Margin	<u>2,938</u>	<u>3,776</u>	<u>3,179</u>	<u>3,594</u>	<u>3,415</u>
141,161	133,111	Total Underwriting Margin	141,161	136,186	136,237	135,189	133,111
606	432	Other Income	606	516	436	449	432
-36,134	-34,772	Admin. Expenses	-36,134	-36,009	-35,286	-35,553	-34,772
<u>105,633</u>	<u>98,771</u>	Underwriting Income	<u>105,633</u>	<u>100,693</u>	<u>101,387</u>	<u>100,085</u>	<u>98,771</u>
		<b>EXCESS INVESTMENT INCOME</b>					
149,086	141,635	Net Investment Income	149,086	145,963	145,165	143,912	141,635
		Required Interest:					
-54,909	-52,119	Net Policy Liabilities	-54,909	-54,110	-53,908	-53,183	-52,119
		Net Financing Costs:					
-14,646	-13,916	Interest on Debt	-14,646	-14,261	-13,965	-13,989	-13,916
<u>2,864</u>	<u>6,679</u>	Interest Rate Swaps	<u>2,864</u>	<u>3,548</u>	<u>6,600</u>	<u>6,492</u>	<u>6,679</u>
<u>82,395</u>	<u>82,279</u>	Total Excess Investment Income	<u>82,395</u>	<u>81,140</u>	<u>83,892</u>	<u>83,232</u>	<u>82,279</u>
<u>-2,899</u>	<u>-2,462</u>	Parent Companies	<u>-2,899</u>	<u>-2,556</u>	<u>-2,109</u>	<u>-2,448</u>	<u>-2,462</u>
185,129	178,588	Pre-Tax Operating Income	185,129	179,277	183,170	180,869	178,588
-64,091	-61,445	Income Tax	-64,091	-61,552	-63,128	-62,347	-61,445
<b>\$121,038</b>	<b>\$117,143</b>	<b>Net Operating Income</b>	<b>\$121,038</b>	<b>\$117,725</b>	<b>\$120,042</b>	<b>\$118,522</b>	<b>\$117,143</b>
<b>\$1.12</b>	<b>\$1.03</b>	<b>EPS on a Diluted Basis</b>	<b>\$1.12</b>	<b>\$1.07</b>	<b>\$1.08</b>	<b>\$1.05</b>	<b>\$1.03</b>
108,278	114,052	Average Diluted Shares Outstanding	108,278	110,061	110,938	112,615	114,052
\$1,701	\$1,141	Capital Gain (Loss), Net of Tax	\$1,701	-\$1,098	\$701	\$3,871	\$1,141
-4,896	1,230	Capital Gain (Loss), Net of Tax - Interest Rate Swaps	-4,896	-1,116	3,389	-8,835	1,230
0	0	Tax Refund, Net of Tax	0	0	0	3,003	0
<u>0</u>	<u>-7,163</u>	Change in Accounting Principle, Net of Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-7,163</u>
<u>\$117,843</u>	<u>\$112,351</u>	Net Income	<u>\$117,843</u>	<u>\$115,511</u>	<u>\$124,132</u>	<u>\$116,561</u>	<u>\$112,351</u>

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	1Q 2005	%	1Q 2004	%	1Q 2005	%	1Q 2004	%	1Q 2005	1Q 2004
<b>LNL Exclusive Agency</b>										
Premium	76,111		76,579		40,399		41,757			
Net Policy Obligations	36,501	48	36,618	48	28,968	72	29,909	72		
Comm. & Acq. Exp.	<u>20,553</u>	27	<u>23,365</u>	31	<u>6,132</u>	15	<u>7,172</u>	17		
Underwriting Margin	19,057	25	16,596	22	5,299	13	4,676	11		
<b>UA Independent</b>										
Premium	11,967		13,063		119,207		122,807			
Net Policy Obligations	5,025	42	6,074	46	75,661	63	77,846	63		
Comm. & Acq. Exp.	<u>5,579</u>	47	<u>5,597</u>	43	<u>21,998</u>	18	<u>22,698</u>	18		
Underwriting Margin	1,363	11	1,392	11	21,548	18	22,263	18		
<b>UA Branch Office Agency</b>										
Premium	4,337		4,549		82,626		82,596			
Net Policy Obligations	2,199	51	2,270	50	53,839	65	53,770	65		
Comm. & Acq. Exp.	<u>1,615</u>	37	<u>1,592</u>	35	<u>16,703</u>	20	<u>16,768</u>	20		
Underwriting Margin	523	12	687	15	12,084	15	12,058	15		
<b>Direct Response</b>										
Premium	105,302		95,290		9,730		8,843			
Net Policy Obligations	48,098	46	44,852	47	7,648	79	7,100	80		
Comm. & Acq. Exp.	<u>30,299</u>	29	<u>26,653</u>	28	<u>859</u>	9	<u>863</u>	10		
Underwriting Margin	26,905	26	23,785	25	1,223	13	880	10		
<b>American Income Agency</b>										
Premium	92,124		84,203		15,348		14,227			
Net Policy Obligations	32,014	35	28,019	33	6,051	39	5,323	37		
Comm. & Acq. Exp.	<u>32,067</u>	35	<u>30,833</u>	37	<u>3,995</u>	26	<u>3,667</u>	26		
Underwriting Margin	28,043	30	25,351	30	5,302	35	5,237	37		
<b>Military</b>										
Premium	49,183		44,627							
Net Policy Obligations	23,047	47	21,794	49						
Comm. & Acq. Exp.	<u>15,330</u>	31	<u>13,414</u>	30						
Underwriting Margin	10,806	22	9,419	21						
<b>Other Distribution</b>										
Premium	24,259		24,799						6,114	7,071
Net Policy Obligations	10,458	43	9,468	38					-1,008	-717
Comm. & Acq. Exp.	<u>7,731</u>	32	<u>7,979</u>	32					<u>4,184</u>	<u>4,373</u>
Underwriting Margin	6,070	25	7,352	30					2,938	3,415
<b>Totals:</b>										
Premium	363,283		343,110		267,310		270,230		6,114	7,071
Net Policy Obligations	157,342	43	149,095	43	172,167	64	173,948	64	-1,008	-717
Comm. & Acq. Exp.	<u>113,174</u>	31	<u>109,433</u>	32	<u>49,687</u>	19	<u>51,168</u>	19	<u>4,184</u>	<u>4,373</u>
Underwriting Margin	92,767	26	84,582	25	45,456	17	45,114	17	2,938	3,415
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					141,161		133,111			
Other Income					606		432			
Administrative & Other Expenses					<u>-36,134</u>		<u>-34,772</u>			
Insurance Underwriting Income					<u>105,633</u>		<u>98,771</u>			

## TORCHMARK CORPORATION

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

(In thousands)

### FIRST YEAR COLLECTED PREMIUM

	YTD 3/05	YTD 3/04	% Incr (Decr)
<b>LIFE</b>			
Direct Response	\$19,585	\$18,318	7
LNL Exclusive Agency	9,287	10,270	-10
American Income Agency	18,540	19,217	-4
Military	6,465	6,572	-2
UA Branch Office Agency	441	486	-9
UA Independent	1,211	2,519	-52
Other Distribution	1,887	1,886	0
Total Life	57,416	59,268	-3
<b>HEALTH</b>			
Direct Response	1,744	2,938	-41
LNL Exclusive Agency	2,491	2,345	6
American Income Agency	3,020	2,843	6
UA Branch Office Agency	15,938	15,246	5
UA Independent	14,711	17,324	-15
Total Health *	37,904	40,696	-7
TOTAL FIRST YEAR COLLECTED PREMIUM	\$95,320	\$99,964	-5
* Includes Med Supp First Year Collected Premium	\$11,541	\$15,169	-24

### IN FORCE AT END OF PERIOD

	1Q 05	1Q 04	\$ Incr (Decr)	% Incr (Decr)
<b>LIFE</b>				
Direct Response	\$453,489	\$421,825	\$31,664	8
LNL Exclusive Agency	318,347	322,328	-3,981	-1
American Income Agency	381,908	350,441	31,467	9
Military	201,045	184,676	16,369	9
UA Branch Office Agency	18,563	19,418	-855	-4
UA Independent	49,339	55,119	-5,780	-10
Other Distribution	116,788	119,701	-2,913	-2
Total Life	1,539,479	1,473,508	65,971	4
<b>HEALTH</b>				
Direct Response	38,360	34,472	3,888	11
LNL Exclusive Agency	152,128	172,405	-20,277	-12
American Income Agency	58,594	54,981	3,613	7
UA Branch Office Agency	323,061	326,555	-3,494	-1
UA Independent	463,535	487,115	-23,580	-5
Total Health **	1,035,678	1,075,528	-39,850	-4
TOTAL IN FORCE	\$2,575,157	\$2,549,036	\$26,121	1
** Includes Med Supp In Force	\$633,110	\$682,280	-\$49,170	-7

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

	At March 31,	
	2005	2004
<b>Assets</b>		
Investments:		
Fixed maturities available for sale *	\$8,738,918	\$8,499,227
Equity securities available for sale	44,043	61,368
Mortgage loans	32,744	114,642
Real estate	13,048	13,834
Policy loans	306,732	295,367
Other long-term investments	30,584	56,208
Short-term investments	16,292	70,324
Total investments	9,182,361	9,110,970
Cash	8,914	19,966
Securities lending collateral	155,619	0
Accrued investment income	161,477	150,865
Other receivables	76,699	69,851
Deferred acquisition costs	2,552,545	2,359,046
Value of insurance purchased	75,485	86,686
Property and equipment	29,131	29,927
Goodwill	378,436	378,436
Other assets	24,654	12,781
Separate account assets	1,520,735	1,621,333
Total assets	\$14,166,056	\$13,839,861
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Future policy benefits	\$6,709,528	\$6,306,844
Unearned and advance premium	92,346	96,825
Policy claims and other benefits payable	261,383	251,708
Other policy liabilities	87,622	87,560
Accrued income taxes	1,010,226	995,281
Securities lending obligation	155,619	0
Short-term debt	220,821	223,309
Long-term debt	690,044	701,343
Other liabilities	135,667	155,345
Separate account liabilities	1,520,735	1,621,333
Total liabilities	10,883,991	10,439,548
Shareholders' equity:		
Preferred stock	0	0
Common stock	108,784	113,784
Additional paid-in-capital	485,482	503,450
Unrealized investment gains (losses), net of tax	332,704	500,048
Retained earnings	2,568,424	2,372,315
Treasury stock, at cost	-213,329	-89,284
Total shareholders' equity	3,282,065	3,400,313
Total liabilities and shareholders' equity	\$14,166,056	\$13,839,861
Diluted Basis:		
Shares outstanding	106,482	113,815
Book value per common share	\$30.82	\$29.88
Book value per common share excluding FAS 115	\$27.77	\$25.49
* Amortized cost of fixed maturities	\$8,209,200	\$7,681,564

**TORCHMARK CORPORATION**

Fixed Maturities

(Millions of \$)

March 31, 2005

**Total Fixed Maturities**

	<u>3/31/05</u>	<u>3/31/04</u>
Amortized Cost	\$8,209	\$7,682
Unrealized:		
Gains	566	836
Losses	<u>-36</u>	<u>-18</u>
Market	\$8,739	\$8,499

**Fixed Maturities at 3/31/05**

	<u>Amort.</u>	<u>Unrealized</u>			<u>Market</u>	<u>(1)</u>
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	<u>Net</u>		<u>Ratings</u>
Investment Grade	\$7,563	523	-25	498	8,061	A-
Below Investment Grade	<u>646</u>	<u>43</u>	<u>-11</u>	<u>32</u>	<u>678</u>	BB-
Total	\$8,209	566	-36	530	8,739	BBB+

**Fixed Maturity Acquisitions:**

	<u>1Q'05</u>	<u>1Q'04</u>
Amount	\$262	\$375
Yield	6.5%	6.3%
Ratings (1)	BBB	A-

**Average Life of Portfolio:**

	<u>3/31/05</u>	<u>3/31/04</u>
To Worst Call	12.9	11.7

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