

# TORCHMARK CORPORATION

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

6 Months Ended			2Q	1Q	4Q	3Q	2Q
6/05	6/04		2005	2005	2004	2004	2004
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$733,749	\$693,702	Premium	\$370,466	\$363,283	\$351,974	\$349,814	\$350,592
-317,574	-303,975	Net Policy Obligations	-160,232	-157,342	-146,433	-150,481	-154,880
-229,191	-218,814	Commissions and Acquisition Expenses	-116,017	-113,174	-113,196	-110,414	-109,381
<u>186,984</u>	<u>170,913</u>	Underwriting Margin	<u>94,217</u>	<u>92,767</u>	<u>92,345</u>	<u>88,919</u>	<u>86,331</u>
		Health:					
520,188	533,712	Premium	252,878	267,310	255,324	259,630	263,482
-332,856	-342,605	Net Policy Obligations	-160,689	-172,167	-166,702	-168,836	-168,657
-97,148	-100,729	Commissions and Acquisition Expenses	-47,461	-49,687	-48,557	-46,655	-49,561
<u>90,184</u>	<u>90,378</u>	Underwriting Margin	<u>44,728</u>	<u>45,456</u>	<u>40,065</u>	<u>44,139</u>	<u>45,264</u>
<u>5,841</u>	<u>7,009</u>	Annuity Underwriting Margin	<u>2,903</u>	<u>2,938</u>	<u>3,776</u>	<u>3,179</u>	<u>3,594</u>
283,009	268,300	Total Underwriting Margin	141,848	141,161	136,186	136,237	135,189
1,329	881	Other Income	723	606	516	436	449
-72,901	-70,325	Admin. Expenses	-36,767	-36,134	-36,009	-35,286	-35,553
211,437	198,856	Underwriting Income	105,804	105,633	100,693	101,387	100,085
		<b>EXCESS INVESTMENT INCOME</b>					
299,616	285,547	Net Investment Income	150,530	149,086	145,963	145,165	143,912
		Required Interest:					
-111,209	-105,302	Net Policy Liabilities	-56,300	-54,909	-54,110	-53,908	-53,183
		Net Financing Costs:					
-29,906	-27,905	Interest on Debt	-15,260	-14,646	-14,261	-13,965	-13,989
5,221	13,171	Interest Rate Swaps	2,357	2,864	3,548	6,600	6,492
163,722	165,511	Total Excess Investment Income	81,327	82,395	81,140	83,892	83,232
-5,321	-4,910	Parent Companies	-2,422	-2,899	-2,556	-2,109	-2,448
369,838	359,457	Pre-Tax Operating Income	184,709	185,129	179,277	183,170	180,869
-128,030	-123,792	Income Tax	-63,939	-64,091	-61,552	-63,128	-62,347
<b>\$241,808</b>	<b>\$235,665</b>	<b>Net Operating Income</b>	<b>\$120,770</b>	<b>\$121,038</b>	<b>\$117,725</b>	<b>\$120,042</b>	<b>\$118,522</b>
<b>\$2.26</b>	<b>\$2.08</b>	<b>EPS on a Diluted Basis</b>	<b>\$1.14</b>	<b>\$1.12</b>	<b>\$1.07</b>	<b>\$1.08</b>	<b>\$1.05</b>
107,016	113,339	Average Diluted Shares Outstanding	105,982	108,278	110,061	110,938	112,615
\$2,835	\$5,012	Capital Gain (Loss), Net of Tax	\$1,134	\$1,701	-\$1,098	\$701	\$3,871
-604	-7,605	Capital Gain (Loss), Net of Tax - Interest Rate Swaps	4,292	-4,896	-1,116	3,389	-8,835
0	3,003	Tax Refund, Net of Tax	0	0	0	0	3,003
0	-7,163	Change in Accounting Principle, Net of Tax	0	0	0	0	0
6,169	0	Net Proceeds from Legal Settlement, Net of Tax	6,169	0	0	0	0
<u>\$250,208</u>	<u>\$228,912</u>	<b>Net Income</b>	<u><b>\$132,365</b></u>	<u><b>\$117,843</b></u>	<u><b>\$115,511</b></u>	<u><b>\$124,132</b></u>	<u><b>\$116,561</b></u>

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	2Q 2005	%	2Q 2004	%	2Q 2005	%	2Q 2004	%	2Q 2005	2Q 2004
<b>LNL Exclusive Agency</b>										
Premium	75,850		76,685		36,614		41,178			
Net Policy Obligations	36,880	49	36,910	48	24,268	66	28,621	70		
Comm. & Acq. Exp.	<u>21,048</u>	28	<u>22,169</u>	29	<u>5,745</u>	16	<u>6,614</u>	16		
Underwriting Margin	17,922	24	17,606	23	6,601	18	5,943	14		
<b>UA Independent</b>										
Premium	11,563		12,717		111,808		118,468			
Net Policy Obligations	5,018	43	6,111	48	70,714	63	75,000	63		
Comm. & Acq. Exp.	<u>5,574</u>	48	<u>5,523</u>	43	<u>21,020</u>	19	<u>22,025</u>	19		
Underwriting Margin	971	8	1,083	9	20,074	18	21,443	18		
<b>UA Branch Office Agency</b>										
Premium	4,378		4,534		79,595		80,663			
Net Policy Obligations	2,255	52	2,361	52	52,165	66	52,603	65		
Comm. & Acq. Exp.	<u>1,621</u>	37	<u>1,601</u>	35	<u>15,814</u>	20	<u>16,282</u>	20		
Underwriting Margin	502	11	572	13	11,616	15	11,778	15		
<b>Direct Response</b>										
Premium	109,121		98,325		9,163		8,398			
Net Policy Obligations	50,102	46	47,058	48	7,199	79	6,735	80		
Comm. & Acq. Exp.	<u>31,595</u>	29	<u>26,338</u>	27	<u>751</u>	8	<u>871</u>	10		
Underwriting Margin	27,424	25	24,929	25	1,213	13	792	9		
<b>American Income Agency</b>										
Premium	94,769		86,694		15,698		14,775			
Net Policy Obligations	34,336	36	29,185	34	6,343	40	5,698	39		
Comm. & Acq. Exp.	<u>32,050</u>	34	<u>31,537</u>	36	<u>4,131</u>	26	<u>3,769</u>	26		
Underwriting Margin	28,383	30	25,972	30	5,224	33	5,308	36		
<b>Military</b>										
Premium	49,701		46,109							
Net Policy Obligations	21,754	44	22,212	48						
Comm. & Acq. Exp.	<u>16,164</u>	33	<u>13,857</u>	30						
Underwriting Margin	11,783	24	10,040	22						
<b>Other Distribution</b>										
Premium	25,084		25,528						6,273	6,961
Net Policy Obligations	9,887	39	11,043	43					-861	-1,064
Comm. & Acq. Exp.	<u>7,965</u>	32	<u>8,356</u>	33					<u>4,231</u>	<u>4,431</u>
Underwriting Margin	7,232	29	6,129	24					2,903	3,594
<b>Totals:</b>										
Premium *	370,466		350,592		252,878 *		263,482 *		6,273	6,961
Net Policy Obligations	160,232	43	154,880	44	160,689	64	168,657	64	-861	-1,064
Comm. & Acq. Exp.	<u>116,017</u>	31	<u>109,381</u>	31	<u>47,461</u>	19	<u>49,561</u>	19	<u>4,231</u>	<u>4,431</u>
Underwriting Margin	94,217	25	86,331	25	44,728	18	45,264	17	2,903	3,594
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					141,848		135,189			
Other Income					723		449			
Administrative & Other Expenses					<u>-36,767</u>		<u>-35,553</u>			
<b>INSURANCE UNDERWRITING INCOME</b>					<u>105,804</u>		<u>100,085</u>			

\* Includes Med Supp Premium

2Q	2Q
2005	2004
\$155,463	\$166,308

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	YTD 6/05	%	YTD 6/04	%	YTD 6/05	%	YTD 6/04	%	YTD 6/05	YTD 6/04
<b>LNL Exclusive Agency</b>										
Premium	151,961		153,264		77,013		82,935			
Net Policy Obligations	73,381	48	73,528	48	53,236	69	58,530	71		
Comm. & Acq. Exp.	41,601	27	45,534	30	11,877	15	13,786	17		
Underwriting Margin	<u>36,979</u>	24	<u>34,202</u>	22	<u>11,900</u>	15	<u>10,619</u>	13		
<b>UA Independent</b>										
Premium	23,530		25,780		231,015		241,275			
Net Policy Obligations	10,043	43	12,185	47	146,375	63	152,846	63		
Comm. & Acq. Exp.	11,153	47	11,120	43	43,018	19	44,723	19		
Underwriting Margin	<u>2,334</u>	10	<u>2,475</u>	10	<u>41,622</u>	18	<u>43,706</u>	18		
<b>UA Branch Office Agency</b>										
Premium	8,715		9,083		162,221		163,259			
Net Policy Obligations	4,454	51	4,631	51	106,004	65	106,373	65		
Comm. & Acq. Exp.	3,236	37	3,193	35	32,517	20	33,050	20		
Underwriting Margin	<u>1,025</u>	12	<u>1,259</u>	14	<u>23,700</u>	15	<u>23,836</u>	15		
<b>Direct Response</b>										
Premium	214,423		193,615		18,893		17,241			
Net Policy Obligations	98,200	46	91,910	47	14,847	79	13,835	80		
Comm. & Acq. Exp.	61,894	29	52,991	27	1,610	9	1,734	10		
Underwriting Margin	<u>54,329</u>	25	<u>48,714</u>	25	<u>2,436</u>	13	<u>1,672</u>	10		
<b>American Income Agency</b>										
Premium	186,893		170,897		31,046		29,002			
Net Policy Obligations	66,350	36	57,204	33	12,394	40	11,021	38		
Comm. & Acq. Exp.	64,117	34	62,370	36	8,126	26	7,436	26		
Underwriting Margin	<u>56,426</u>	30	<u>51,323</u>	30	<u>10,526</u>	34	<u>10,545</u>	36		
<b>Military</b>										
Premium	98,884		90,736							
Net Policy Obligations	44,801	45	44,006	48						
Comm. & Acq. Exp.	31,494	32	27,271	30						
Underwriting Margin	<u>22,589</u>	23	<u>19,459</u>	21						
<b>Other Distribution</b>										
Premium	49,343		50,327						12,387	14,032
Net Policy Obligations	20,345	41	20,511	41					-1,869	-1,781
Comm. & Acq. Exp.	15,696	32	16,335	32					8,415	8,804
Underwriting Margin	<u>13,302</u>	27	<u>13,481</u>	27					<u>5,841</u>	<u>7,009</u>
<b>Totals:</b>										
Premium *	733,749		693,702		520,188 *		533,712 *		12,387	14,032
Net Policy Obligations	317,574	43	303,975	44	332,856	64	342,605	64	-1,869	-1,781
Comm. & Acq. Exp.	229,191	31	218,814	32	97,148	19	100,729	19	8,415	8,804
Underwriting Margin	<u>186,984</u>	25	<u>170,913</u>	25	<u>90,184</u>	17	<u>90,378</u>	17	<u>5,841</u>	<u>7,009</u>
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					283,009		268,300			
Other Income					1,329		881			
Administrative & Other Expenses					<u>-72,901</u>		<u>-70,325</u>			
<b>INSURANCE UNDERWRITING INCOME</b>					<u>211,437</u>		<u>198,856</u>			

\* Includes Med Supp Premium

YTD	YTD
6/05	6/04
\$319,362	\$341,675

**TORCHMARK CORPORATION**  
 First Year Collected Premium (Unaudited)  
 (In thousands)

**FIRST YEAR COLLECTED PREMIUM**

	<u>YTD 6/05</u>	<u>YTD 6/04</u>	<u>% Incr (Decr)</u>	<u>2nd Qtr. 2005</u>	<u>2nd Qtr. 2004</u>	<u>% Incr (Decr)</u>
<b>LIFE</b>						
Direct Response	\$39,669	\$37,622	5	\$20,084	\$19,304	4
American Income Agency	37,379	38,914	-4	18,839	19,697	-4
LNL Exclusive Agency	18,322	20,646	-11	9,035	10,376	-13
Military	12,206	13,510	-10	5,741	6,938	-17
UA Independent	2,267	4,573	-50	1,056	2,054	-49
UA Branch Office Agency	856	971	-12	415	485	-14
Other Distribution	4,028	3,943	2	2,141	2,057	4
Total Life	<u>114,727</u>	<u>120,179</u>	<u>-5</u>	<u>57,311</u>	<u>60,911</u>	<u>-6</u>
<b>HEALTH</b>						
Direct Response	3,285	5,308	-38	1,541	2,370	-35
American Income Agency	6,235	6,007	4	3,215	3,164	2
LNL Exclusive Agency	4,965	4,915	1	2,474	2,570	-4
UA Independent	27,429	35,336	-22	12,718	18,012	-29
UA Branch Office Agency	31,608	31,764	0	15,670	16,518	-5
Total Health *	<u>73,522</u>	<u>83,330</u>	<u>-12</u>	<u>35,618</u>	<u>42,634</u>	<u>-16</u>
<b>TOTAL FIRST YEAR COLLECTED PREMIUM</b>	<b>\$188,249</b>	<b>\$203,509</b>	<b>-7</b>	<b>\$92,929</b>	<b>\$103,545</b>	<b>-10</b>
* Includes Med Supp First Year Collected Premium	\$21,901	\$29,551	-26	\$10,360	\$14,382	-28

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

	At June 30,	
	2005	2004
<b>Assets</b>		
Investments:		
Fixed maturities available for sale *	\$8,968,776	\$8,135,740
Equity securities available for sale	51,069	34,177
Mortgage loans	32,111	107,083
Real estate	13,349	13,313
Policy loans	310,265	298,797
Other long-term investments	35,984	34,860
Short-term investments	34,610	32,304
Total investments	9,446,164	8,656,274
Cash	11,667	5,142
Securities lending collateral	271,318	0
Accrued investment income	155,804	147,428
Other receivables	66,538	86,249
Deferred acquisition costs	2,583,997	2,436,008
Value of insurance purchased	73,647	83,289
Property and equipment	28,709	29,665
Goodwill	378,436	378,436
Other assets	111,882	12,708
Separate account assets	1,522,883	1,597,916
Total assets	\$14,651,045	\$13,433,115
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Future policy benefits	\$6,803,509	\$6,415,658
Unearned and advance premium	92,980	96,760
Policy claims and other benefits payable	256,551	259,570
Other policy liabilities	87,983	88,263
Accrued income taxes	1,072,008	865,819
Securities lending obligation	271,318	0
Short-term debt	213,257	154,327
Long-term debt	691,026	693,574
Other liabilities	184,522	107,721
Separate account liabilities	1,522,883	1,597,916
Total liabilities	11,196,037	10,279,608
Shareholders' equity:		
Preferred stock	0	0
Common stock	108,875	113,784
Additional paid-in-capital	526,708	504,807
Unrealized investment gains (losses), net of tax	451,223	240,160
Retained earnings	2,595,567	2,475,128
Treasury stock, at cost	-227,365	-180,372
Total shareholders' equity	3,455,008	3,153,507
Total liabilities and shareholders' equity	\$14,651,045	\$13,433,115
Diluted Basis:		
Shares outstanding	105,354	112,034
Book value per common share	\$32.79	\$28.15
Book value per common share excluding FAS 115	\$28.56	\$26.00
* Amortized cost of fixed maturities	\$8,240,039	\$7,742,931

**TORCHMARK CORPORATION**

Fixed Maturities

(Millions of \$)

June 30, 2005

**Total Fixed Maturities**

	<u>6/30/05</u>	<u>6/30/04</u>
Amortized Cost	\$8,240	\$7,743
Unrealized:		
Gains	756	483
Losses	<u>-27</u>	<u>-90</u>
Market	\$8,969	\$8,136

**Fixed Maturities at 6/30/05**

	Amort. Cost	Unrealized			Market	(1) Ratings
		Gains	Losses	Net		
Investment Grade	\$7,552	707	-10	697	8,249	A-
Below Investment Grade	<u>688</u>	<u>49</u>	<u>-17</u>	<u>32</u>	<u>720</u>	BB-
Total	\$8,240	756	-27	729	8,969	BBB+

**Fixed Maturity Acquisitions:**

	<u>2Q'05</u>	<u>2Q'04</u>
Amount	\$117	\$256
Yield	5.9%	6.6%
Ratings	A-	BBB+

**Average Life of Portfolio:**

	<u>6/30/05</u>	<u>6/30/04</u>
To Worst Call	12.7	12.0