

# TORCHMARK CORPORATION

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

12 Months Ended			4Q	3Q	2Q	1Q	4Q
12/05	12/04		2005	2005	2005	2005	2004
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$1,468,288	\$1,395,490	Premium	\$368,727	\$365,812	\$370,466	\$363,283	\$351,974
-623,788	-600,889	Net Policy Obligations	-151,867	-154,347	-160,232	-157,342	-146,433
<u>-462,852</u>	<u>-442,424</u>	Commissions and Acquisition Expenses	<u>-117,391</u>	<u>-116,270</u>	<u>-116,017</u>	<u>-113,174</u>	<u>-113,196</u>
381,648	352,177	Underwriting Margin	99,469	95,195	94,217	92,767	92,345
		Health:					
1,014,857	1,048,666	Premium	245,991	248,678	252,878	267,310	255,324
-647,326	-678,143	Net Policy Obligations	-156,527	-157,943	-160,689	-172,167	-166,702
<u>-190,352</u>	<u>-195,941</u>	Commissions and Acquisition Expenses	<u>-46,820</u>	<u>-46,384</u>	<u>-47,461</u>	<u>-49,687</u>	<u>-48,557</u>
177,179	174,582	Underwriting Margin	42,644	44,351	44,728	45,456	40,065
<u>12,580</u>	<u>13,964</u>	Annuity Underwriting Margin	<u>3,310</u>	<u>3,429</u>	<u>2,903</u>	<u>2,938</u>	<u>3,776</u>
571,407	540,723	Total Underwriting Margin	145,423	142,975	141,848	141,161	136,186
2,366	1,833	Other Income	433	604	723	606	516
<u>-147,681</u>	<u>-141,620</u>	Admin. Expenses	<u>-38,620</u>	<u>-36,160</u>	<u>-36,767</u>	<u>-36,134</u>	<u>-36,009</u>
426,092	400,936	Underwriting Income	107,236	107,419	105,804	105,633	100,693
		<b>EXCESS INVESTMENT INCOME</b>					
602,708	576,675	Net Investment Income	152,062	151,030	150,530	149,086	145,963
		Required Interest:					
-225,289	-213,320	Net Policy Liabilities	-57,388	-56,692	-56,300	-54,909	-54,110
		Net Financing Costs:					
-60,574	-56,131	Interest on Debt	-15,477	-15,191	-15,260	-14,646	-14,261
<u>7,393</u>	<u>23,319</u>	Interest Rate Swaps	<u>822</u>	<u>1,350</u>	<u>2,357</u>	<u>2,864</u>	<u>3,548</u>
324,238	330,543	Total Excess Investment Income	80,019	80,497	81,327	82,395	81,140
<u>-9,660</u>	<u>-9,575</u>	Parent Companies	<u>-2,081</u>	<u>-2,258</u>	<u>-2,422</u>	<u>-2,899</u>	<u>-2,556</u>
740,670	721,904	Pre-Tax Operating Income	185,174	185,658	184,709	185,129	179,277
<u>-255,165</u>	<u>-248,472</u>	Income Tax	<u>-63,400</u>	<u>-63,735</u>	<u>-63,939</u>	<u>-64,091</u>	<u>-61,552</u>
<b>\$485,505</b>	<b>\$473,432</b>	<b>Net Operating Income</b>	<b>\$121,774</b>	<b>\$121,923</b>	<b>\$120,770</b>	<b>\$121,038</b>	<b>\$117,725</b>
<b>\$4.59</b>	<b>\$4.23</b>	<b>EPS on a Diluted Basis</b>	<b>\$1.17</b>	<b>\$1.16</b>	<b>\$1.14</b>	<b>\$1.12</b>	<b>\$1.07</b>
105,751	111,908	Average Diluted Shares Outstanding	104,314	104,704	105,982	108,278	110,061
\$608	\$4,615	Capital Gain (Loss), Net of Tax	-\$3,070	\$843	\$1,134	\$1,701	-\$1,098
-5,388	-5,332	Capital Gain (Loss), Net of Tax - Interest Rate Swaps	-1,069	-3,715	4,292	-4,896	-1,116
15,989	3,003	Tax Settlements, Net of Tax	15,989	0	0	0	0
0	-7,163	Change in Accounting Principle, Net of Tax	0	0	0	0	0
-955	0	Net Proceeds (Cost) from Legal Settlements, Net of Tax	-7,119	-5	6,169	0	0
<u>-369</u>	<u>0</u>	Retiring Executive Option Term Extension, Net of Tax	<u>-369</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$495,390</u>	<u>\$468,555</u>	<b>Net Income</b>	<u>\$126,136</u>	<u>\$119,046</u>	<u>\$132,365</u>	<u>\$117,843</u>	<u>\$115,511</u>

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	4Q 2005	%	4Q 2004	%	4Q 2005	%	4Q 2004	%	4Q 2005	4Q 2004
<b>LNL Exclusive Agency</b>										
Premium	\$75,380		\$75,284		\$35,421		\$40,311			
Net Policy Obligations	32,224	43	32,851	44	23,128	65	30,332	75		
Comm. & Acq. Exp.	21,596	29	21,518	29	5,741	16	6,454	16		
Underwriting Margin	21,560	29	20,915	28	6,552	18	3,525	9		
<b>UA Independent</b>										
Premium	10,768		11,882		103,876		112,195			
Net Policy Obligations	4,149	39	5,683	48	66,129	64	70,884	63		
Comm. & Acq. Exp.	5,321	49	5,327	45	19,670	19	20,953	19		
Underwriting Margin	1,298	12	872	7	18,077	17	20,358	18		
<b>UA Branch Office Agency</b>										
Premium	4,039		4,325		80,893		78,812			
Net Policy Obligations	1,501	37	2,450	57	52,678	65	51,364	65		
Comm. & Acq. Exp.	1,524	38	1,506	35	16,432	20	16,306	21		
Underwriting Margin	1,014	25	369	9	11,783	15	11,142	14		
<b>Direct Response</b>										
Premium	105,663		96,691		9,528		8,678			
Net Policy Obligations	48,828	46	43,786	45	7,490	79	6,919	80		
Comm. & Acq. Exp.	30,313	29	28,567	30	797	8	842	10		
Underwriting Margin	26,522	25	24,338	25	1,241	13	917	11		
<b>American Income Agency</b>										
Premium	97,463		90,364		16,273		15,328			
Net Policy Obligations	33,081	34	30,448	34	7,102	44	7,203	47		
Comm. & Acq. Exp.	33,734	35	32,874	36	4,180	26	4,002	26		
Underwriting Margin	30,648	31	27,042	30	4,991	31	4,123	27		
<b>Military</b>										
Premium	50,340		48,296							
Net Policy Obligations	22,275	44	21,225	44						
Comm. & Acq. Exp.	17,124	34	15,144	31						
Underwriting Margin	10,941	22	11,927	25						
<b>Other Distribution</b>										
Premium	25,074		25,132						\$6,475	\$7,167
Net Policy Obligations	9,809	39	9,990	40					-886	-756
Comm. & Acq. Exp.	7,779	31	8,260	33					4,051	4,147
Underwriting Margin	7,486	30	6,882	27					3,310	3,776
<b>Totals:</b>										
Premium *	\$368,727		\$351,974		\$245,991 *		\$255,324 *		\$6,475	\$7,167
Net Policy Obligations	151,867	41	146,433	42	156,527	64	166,702	65	-886	-756
Comm. & Acq. Exp.	117,391	32	113,196	32	46,820	19	48,557	19	4,051	4,147
Underwriting Margin	\$99,469	27	\$92,345	26	\$42,644	17	\$40,065	16	\$3,310	\$3,776
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					\$145,423		\$136,186			
Other Income					433		516			
Administrative & Other Expenses					<u>-38,620</u>		<u>-36,009</u>			
<b>INSURANCE UNDERWRITING INCOME</b>					<u>\$107,236</u>		<u>\$100,693</u>			

\* Includes Med Supp Premium

4Q	4Q
2005	2004
\$144,932	\$157,730

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	YTD 12/05	%	YTD 12/04	%	YTD 12/05	%	YTD 12/04	%	YTD 12/05	YTD 12/04
<b>LNL Exclusive Agency</b>										
Premium	\$302,747		\$303,965		\$149,020		\$163,981			
Net Policy Obligations	139,381	46	141,336	46	100,234	67	118,823	72		
Comm. & Acq. Exp.	84,940	28	88,947	29	23,391	16	26,498	16		
Underwriting Margin	<u>78,426</u>	26	<u>73,682</u>	24	<u>25,395</u>	17	<u>18,660</u>	11		
<b>UA Independent</b>										
Premium	45,472		49,834		441,673		468,319			
Net Policy Obligations	18,970	42	23,663	47	280,956	64	297,226	63		
Comm. & Acq. Exp.	21,929	48	21,801	44	81,847	19	85,142	18		
Underwriting Margin	<u>4,573</u>	10	<u>4,370</u>	9	<u>78,870</u>	18	<u>85,951</u>	18		
<b>UA Branch Office Agency</b>										
Premium	16,891		17,838		322,767		322,279			
Net Policy Obligations	7,869	47	9,550	54	210,189	65	209,997	65		
Comm. & Acq. Exp.	6,254	37	6,232	35	65,460	20	65,654	20		
Underwriting Margin	<u>2,768</u>	16	<u>2,056</u>	12	<u>47,118</u>	15	<u>46,628</u>	14		
<b>Direct Response</b>										
Premium	424,037		387,006		37,774		34,568			
Net Policy Obligations	194,630	46	181,117	47	29,688	79	27,266	79		
Comm. & Acq. Exp.	122,489	29	109,077	28	3,209	8	3,446	10		
Underwriting Margin	<u>106,918</u>	25	<u>96,812</u>	25	<u>4,877</u>	13	<u>3,856</u>	11		
<b>American Income Agency</b>										
Premium	380,365		349,686		63,623		59,519			
Net Policy Obligations	131,927	35	116,968	33	26,259	41	24,831	42		
Comm. & Acq. Exp.	130,820	34	127,049	36	16,445	26	15,201	26		
Underwriting Margin	<u>117,618</u>	31	<u>105,669</u>	30	<u>20,919</u>	33	<u>19,487</u>	33		
<b>Military</b>										
Premium	199,319		186,555							
Net Policy Obligations	90,565	45	87,582	47						
Comm. & Acq. Exp.	65,166	33	56,804	30						
Underwriting Margin	<u>43,588</u>	22	<u>42,169</u>	23						
<b>Other Distribution</b>										
Premium	99,457		100,606						\$24,929	\$27,744
Net Policy Obligations	40,446	41	40,673	40					-3,204	-3,492
Comm. & Acq. Exp.	31,254	31	32,514	32					15,553	17,272
Underwriting Margin	<u>27,757</u>	28	<u>27,419</u>	27					<u>12,580</u>	<u>13,964</u>
<b>Totals:</b>										
Premium *	\$1,468,288		\$1,395,490		\$1,014,857 *		\$1,048,666 *		\$24,929	\$27,744
Net Policy Obligations	623,788	42	600,889	43	647,326	64	678,143	65	-3,204	-3,492
Comm. & Acq. Exp.	462,852	32	442,424	32	190,352	19	195,941	19	15,553	17,272
Underwriting Margin	<u>\$381,648</u>	26	<u>\$352,177</u>	25	<u>\$177,179</u>	17	<u>\$174,582</u>	17	<u>\$12,580</u>	<u>\$13,964</u>
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					\$571,407		\$540,723			
Other Income					2,366		1,833			
Administrative & Other Expenses					<u>-147,681</u>		<u>-141,620</u>			
<b>INSURANCE UNDERWRITING INCOME</b>					<u>\$426,092</u>		<u>\$400,936</u>			

\* Includes Med Supp Premium

YTD	YTD
12/05	12/04
\$610,774	\$658,675

## TORCHMARK CORPORATION

Net Sales and First Year Collected Premium (Unaudited)  
(In thousands)

### NET SALES \*\*

	YTD 12/05	YTD 12/04	% Incr (Decr)	4th Qtr. 2005	4th Qtr. 2004	% Incr (Decr)
<b>LIFE</b>						
Direct Response	\$112,240	\$110,617	1	\$25,887	\$25,600	1
American Income Agency	84,270	87,855	-4	20,155	21,605	-7
LNL Exclusive Agency	47,088	49,145	-4	11,912	11,000	8
Military	17,571	27,879	-37	3,669	5,647	-35
UA Independent	3,664	7,902	-54	454	1,483	-69
UA Branch Office Agency	1,531	2,563	-40	259	598	-57
Other Distribution	8,602	7,692	12	2,028	1,845	10
Total Life	<u>274,966</u>	<u>293,653</u>	<u>-6</u>	<u>64,364</u>	<u>67,778</u>	<u>-5</u>
<b>HEALTH</b>						
Direct Response	5,970	6,748	-12	1,557	769	102
American Income Agency	11,347	12,072	-6	2,708	2,982	-9
LNL Exclusive Agency	13,548	12,856	5	3,668	3,154	16
UA Independent	58,566	85,521	-32	13,701	16,409	-17
UA Branch Office Agency	96,090	82,717	16	30,911	19,093	62
Total Health *	<u>185,521</u>	<u>199,914</u>	<u>-7</u>	<u>52,545</u>	<u>42,407</u>	<u>24</u>
TOTAL NET SALES	\$460,487	\$493,567	-7	\$116,909	\$110,185	6
* Includes Med Supp Net Sales	\$39,328	\$52,624	-25	\$9,343	\$10,279	-9

\*\* Net sales is defined as annualized premium issued, net of cancellations in the first 30 days after issue, except at Direct Response where net sales is annualized premium issued at the time the first full premium is paid after any introductory offer period has expired.

### FIRST YEAR COLLECTED PREMIUM

	YTD 12/05	YTD 12/04	% Incr (Decr)	4th Qtr. 2005	4th Qtr. 2004	% Incr (Decr)
<b>LIFE</b>						
Direct Response	\$76,746	\$74,220	3	\$18,536	\$18,064	3
American Income Agency	73,490	76,777	-4	17,871	18,789	-5
LNL Exclusive Agency	35,993	39,724	-9	8,820	9,282	-5
Military	21,821	27,426	-20	4,529	6,874	-34
UA Independent	3,755	7,647	-51	647	1,398	-54
UA Branch Office Agency	1,463	1,897	-23	272	454	-40
Other Distribution	8,665	7,930	9	2,537	1,950	30
Total Life	<u>221,933</u>	<u>235,621</u>	<u>-6</u>	<u>53,212</u>	<u>56,811</u>	<u>-6</u>
<b>HEALTH</b>						
Direct Response	5,850	8,862	-34	1,372	1,552	-12
American Income Agency	12,804	12,781	0	3,098	3,320	-7
LNL Exclusive Agency	9,879	9,784	1	2,472	2,412	2
UA Independent	51,332	68,916	-26	12,003	16,099	-25
UA Branch Office Agency	67,016	64,639	4	18,974	16,214	17
Total Health *	<u>146,881</u>	<u>164,982</u>	<u>-11</u>	<u>37,919</u>	<u>39,597</u>	<u>-4</u>
TOTAL FIRST YEAR COLLECTED PREMIUM	\$368,814	\$400,603	-8	\$91,131	\$96,408	-5
* Includes Med Supp First Year Collected Premium	\$40,009	\$55,338	-28	\$8,952	\$12,411	-28

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

	<u>At December 31,</u>	
	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Investments:		
Fixed maturities available for sale *	\$8,836,642	\$8,714,698
Equity securities available for sale	48,047	36,893
Mortgage loans	31,043	32,832
Real estate	12,414	13,676
Policy loans	316,829	304,980
Other long-term investments	28,113	41,148
Short-term investments	118,310	88,212
Total investments	<u>9,391,398</u>	<u>9,232,439</u>
Cash	19,297	10,651
Securities lending collateral	257,390	172,599
Accrued investment income	158,225	153,248
Other receivables	67,262	73,408
Deferred acquisition costs	2,698,049	2,506,216
Value of insurance purchased	70,355	77,116
Property and equipment	28,189	29,489
Goodwill	378,436	378,436
Other assets	139,911	24,304
Separate account assets	1,560,391	1,594,278
Total assets	<u>\$14,768,903</u>	<u>\$14,252,184</u>
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Future policy benefits	\$7,001,052	\$6,616,848
Unearned and advance premium	91,758	93,073
Policy claims and other benefits payable	257,771	265,655
Other policy liabilities	89,229	88,147
Accrued income taxes	1,011,048	993,540
Securities lending obligation	257,390	172,599
Short-term debt	381,505	170,354
Long-term debt	507,902	694,685
Other liabilities	178,089	143,161
Separate account liabilities	1,560,391	1,594,278
Total liabilities	<u>11,336,135</u>	<u>10,832,340</u>
Shareholders' equity:		
Preferred stock	0	0
Common stock	104,875	108,784
Additional paid-in-capital	508,713	484,886
Unrealized investment gains (losses), net of tax	269,084	405,916
Retained earnings	2,621,552	2,462,513
Treasury stock, at cost	-71,456	-42,255
Total shareholders' equity	<u>3,432,768</u>	<u>3,419,844</u>
Total liabilities and shareholders' equity	<u>\$14,768,903</u>	<u>\$14,252,184</u>
Diluted Basis:		
Shares outstanding	104,303	110,075
Book value per common share	\$32.91	\$31.07
Book value per common share excluding FAS 115	\$30.41	\$27.45
* Amortized cost of fixed maturities	\$8,411,635	\$8,065,402

**TORCHMARK CORPORATION**

Fixed Maturities  
(Millions of \$)  
December 31, 2005

**Total Fixed Maturities**

	<u>12/31/05</u>	<u>12/31/04</u>
Amortized Cost	\$8,412	\$8,065
Unrealized:		
Gains	486	670
Losses	<u>-61</u>	<u>-21</u>
Market	\$8,837	\$8,715
Yield (4Q)	7.0%	7.1%
Average Life	12.4	12.7

**Fixed Maturities at 12/31/05**

	Amort. <u>Cost</u>	<u>Unrealized</u>			<u>Market</u>	(1) <u>Ratings</u>
		<u>Gains</u>	<u>Losses</u>	<u>Net</u>		
Investment Grade	\$7,741	\$452	-\$32	\$420	\$8,161	A-
Below Investment Grade	<u>671</u>	<u>33</u>	<u>-29</u>	<u>5</u>	<u>676</u>	BB-
Total	\$8,412	\$486	-\$61	\$425	\$8,837	BBB+

**Fixed Maturity Acquisitions:**

	<u>4Q'05</u>	<u>4Q'04</u>
Amount	\$191	\$325
Yield	6.1%	6.5%
Ratings	BBB+	A-
Average Life	13.9	24.1