

# TORCHMARK CORPORATION

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

12 Months Ended			4Q	3Q	2Q	1Q	4Q
12/06	12/05		2006	2006	2006	2006	2005
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$1,524,267	\$1,468,288	Premium	\$381,337	\$381,547	\$380,514	\$380,869	\$368,727
-641,458	-623,788	Net Policy Obligations	-157,798	-160,267	-161,712	-161,681	-151,867
-485,365	-462,852	Commissions and Acquisition Expenses	-121,098	-124,240	-119,711	-120,316	-117,391
397,444	381,648	Underwriting Margin	102,441	97,040	99,091	98,872	99,469
		Health:					
1,025,150	1,014,857	Premium	258,296	253,587	254,968	258,299	245,991
-645,898	-647,326	Net Policy Obligations	-162,441	-158,978	-161,132	-163,347	-156,527
-198,121	-190,352	Commissions and Acquisition Expenses	-50,273	-50,407	-48,879	-48,562	-46,820
181,131	177,179	Underwriting Margin	45,582	44,202	44,957	46,390	42,644
25,563	0	Health - Part D Underwriting Margin	8,491	8,507	4,966	3,599	0
11,915	12,580	Annuity Underwriting Margin	2,871	3,141	2,992	2,911	3,310
616,053	571,407	Total Underwriting Margin	159,385	152,890	152,006	151,772	145,423
4,024	2,366	Other Income	834	993	1,071	1,126	433
-155,331	-147,681	Admin. Expenses	-38,141	-37,525	-39,530	-40,135	-38,620
464,746	426,092	Underwriting Income	122,078	116,358	113,547	112,763	107,236
		<b>EXCESS INVESTMENT INCOME</b>					
628,292	602,708	Net Investment Income	159,423	160,751	154,819	153,299	152,062
		Required Interest:					
-237,338	-225,289	Net Policy Liabilities	-61,208	-59,474	-58,820	-57,836	-57,388
		Net Financing Costs:					
-72,682	-60,574	Interest on Debt	-17,970	-21,280	-17,532	-15,900	-15,477
491	7,393	Interest Rate Swaps	0	0	114	377	822
318,763	324,238	Total Excess Investment Income	80,245	79,997	78,581	79,940	80,019
-7,862	-9,660	Parent Company Expenses	-1,493	-1,711	-2,236	-2,422	-2,081
775,647	740,670	Pre-Tax Operating Income	200,830	194,644	189,892	190,281	185,174
-267,017	-255,165	Income Tax	-69,242	-67,216	-65,192	-65,367	-63,400
<b>\$508,630</b>	<b>\$485,505</b>	<b>Net Operating Income Before Option Expense</b>	<b>\$131,588</b>	<b>\$127,428</b>	<b>\$124,700</b>	<b>\$124,914</b>	<b>\$121,774</b>
<b>\$5.03</b>	<b>\$4.59</b>	<b>Per Share</b>	<b>\$1.32</b>	<b>\$1.27</b>	<b>\$1.23</b>	<b>\$1.21</b>	<b>\$1.17</b>
-4,274	0	Stock Option Expense, Net of Tax	-1,035	-974	-1,155	-1,110	0
<b>\$504,356</b>	<b>\$485,505</b>	<b>Net Operating Income</b>	<b>\$130,553</b>	<b>\$126,454</b>	<b>\$123,545</b>	<b>\$123,804</b>	<b>\$121,774</b>
<b>\$4.99</b>	<b>\$4.59</b>	<b>Per Share</b>	<b>\$1.31</b>	<b>\$1.26</b>	<b>\$1.22</b>	<b>\$1.20</b>	<b>\$1.17</b>
101,112	105,751	Average Diluted Shares Outstanding	99,786	100,103	100,982	103,521	104,314
		Reconciling items, net of tax:					
\$2,816	\$0	Gain on Sale of Agency Buildings	\$2,816	\$0	\$0	\$0	\$0
-4,617	608	Capital Gain (Loss) - Investments	-3,305	-4,914	5,724	-2,122	-3,070
-2,956	-5,388	Capital Gain (Loss) - Interest Rate Swaps	0	0	-805	-2,151	-1,069
0	0	Part D Adjustment	1,698	2,227	-1,089	-2,836	0
11,607	15,989	Tax Settlements	7,368	4,777	0	-538	15,989
7,425	-955	Net Proceeds (Cost) from Legal Settlements	3,308	0	0	4,117	-7,119
0	-369	Retiring Executive Option Term Extension	0	0	0	0	-369
<b>\$518,631</b>	<b>\$495,390</b>	<b>Net Income</b>	<b>\$142,438</b>	<b>\$128,544</b>	<b>\$127,375</b>	<b>\$120,274</b>	<b>\$126,136</b>

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				HEALTH - PART D		ANNUITY	
	4Q 2006	%	4Q 2005	%	4Q 2006	%	4Q 2005	%	4Q 2006	%	4Q 2005	4Q 2005
<b>LNL Exclusive Agency</b>												
Premium	\$74,130		\$75,380		\$36,549		\$35,421					
Net Policy Obligations	31,735	43	32,224	43	24,015	66	23,128	65				
Comm. & Acq. Exp.	21,369	29	21,596	29	5,175	14	5,741	16				
Underwriting Margin	21,026	28	21,560	29	7,359	20	6,552	18				
<b>UA Independent</b>												
Premium	9,730		10,768		101,588		103,876					
Net Policy Obligations	4,083	42	4,149	39	64,621	64	66,129	64				
Comm. & Acq. Exp.	4,671	48	5,321	49	19,936	20	19,670	19				
Underwriting Margin	976	10	1,298	12	17,031	17	18,077	17				
<b>UA Branch Office Agency</b>												
Premium	3,866		4,039		92,787		80,893					
Net Policy Obligations	1,631	42	1,501	37	59,777	64	52,678	65				
Comm. & Acq. Exp.	1,373	36	1,524	38	19,932	21	16,432	20				
Underwriting Margin	862	22	1,014	25	13,078	14	11,783	15				
<b>Direct Response</b>												
Premium	113,531		105,663		9,921		9,528					
Net Policy Obligations	53,763	47	48,828	46	7,507	76	7,490	79				
Comm. & Acq. Exp.	32,603	29	30,313	29	743	7	797	8				
Underwriting Margin	27,165	24	26,522	25	1,671	17	1,241	13				
<b>American Income Agency</b>												
Premium	104,804		97,463		17,451		16,273					
Net Policy Obligations	37,022	35	33,081	34	6,521	37	7,102	44				
Comm. & Acq. Exp.	36,823	35	33,734	35	4,487	26	4,180	26				
Underwriting Margin	30,959	30	30,648	31	6,443	37	4,991	31				
<b>Military</b>												
Premium	50,812		50,340									
Net Policy Obligations	20,214	40	22,275	44								
Comm. & Acq. Exp.	17,145	34	17,124	34								
Underwriting Margin	13,453	26	10,941	22								
<b>Part D</b>												
Premium									\$56,573		\$0	
Net Policy Obligations									41,859	74	0	
Net Amortization of DAC									1,698	3	0	
Fees to PBM									4,525	8	0	
Underwriting Margin									8,491	15	0	
<b>Other Distribution</b>												
Premium	24,464		25,074								\$5,695	\$6,475
Net Policy Obligations	9,350	38	9,809	39							-883	-886
Comm. & Acq. Exp.	7,114	29	7,779	31							3,707	4,051
Underwriting Margin	8,000	33	7,486	30							2,871	3,310
<b>Totals:</b>												
Premium	\$381,337		\$368,727		\$258,296		\$245,991		\$56,573		\$0	\$5,695
Net Policy Obligations	157,798	41	151,867	41	162,441	63	156,527	64	41,859	74	0	-883
Comm. & Acq. Exp.	121,098	32	117,391	32	50,273	19	46,820	19	6,223	11	0	3,707
Underwriting Margin	\$102,441	27	\$99,469	27	\$45,582	18	\$42,644	17	\$8,491	15	\$0	\$2,871
TOTAL UNDERWRITING MARGINS, ALL LINES					\$159,385		\$145,423					
Other Income					834		433					
Administrative & Other Expenses					<u>-38,141</u>		<u>-38,620</u>					
INSURANCE UNDERWRITING INCOME					<u>\$122,078</u>		<u>\$107,236</u>					

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				HEALTH - PART D		ANNUITY	
	YTD 12/06	%	YTD 12/05	%	YTD 12/06	%	YTD 12/05	%	YTD 12/06	%	YTD 12/06	YTD 12/05
<b>LNL Exclusive Agency</b>												
Premium	\$300,933		\$302,747		\$145,024		\$149,020					
Net Policy Obligations	136,011	45	139,381	46	94,718	65	100,234	67				
Comm. & Acq. Exp.	86,461	29	84,940	28	21,793	15	23,391	16				
Underwriting Margin	78,461	26	78,426	26	28,513	20	25,395	17				
<b>UA Independent</b>												
Premium	40,378		45,472		418,690		441,673					
Net Policy Obligations	17,009	42	18,970	42	266,330	64	280,956	64				
Comm. & Acq. Exp.	19,735	49	21,929	48	80,035	19	81,847	19				
Underwriting Margin	3,634	9	4,573	10	72,325	17	78,870	18				
<b>UA Branch Office Agency</b>												
Premium	15,775		16,891		354,535		322,767					
Net Policy Obligations	6,933	44	7,869	47	228,427	64	210,189	65				
Comm. & Acq. Exp.	5,859	37	6,254	37	75,571	21	65,460	20				
Underwriting Margin	2,983	19	2,768	16	50,537	14	47,118	15				
<b>Direct Response</b>												
Premium	457,159		424,037		39,726		37,774					
Net Policy Obligations	215,219	47	194,630	46	31,228	79	29,688	79				
Comm. & Acq. Exp.	132,960	29	122,489	29	3,010	8	3,209	8				
Underwriting Margin	108,980	24	106,918	25	5,488	14	4,877	13				
<b>American Income Agency</b>												
Premium	409,188		380,365		67,175		63,623					
Net Policy Obligations	139,711	34	131,927	35	25,195	38	26,259	41				
Comm. & Acq. Exp.	143,623	35	130,820	34	17,712	26	16,445	26				
Underwriting Margin	125,854	31	117,618	31	24,268	36	20,919	33				
<b>Military</b>												
Premium	203,218		199,319									
Net Policy Obligations	87,420	43	90,565	45								
Comm. & Acq. Exp.	67,386	33	65,166	33								
Underwriting Margin	48,412	24	43,588	22								
<b>Part D</b>												
Premium								\$212,382		\$0		
Net Policy Obligations								163,457	77	0		
Net Amortization of DAC								6,372	3	0		
Fees to PBM								16,990	8	0		
Underwriting Margin								25,563	12	0		
<b>Other Distribution</b>												
Premium	97,616		99,457							\$22,914	\$24,929	
Net Policy Obligations	39,155	40	40,446	41						-4,575	-3,204	
Comm. & Acq. Exp.	29,341	30	31,254	31						15,574	15,553	
Underwriting Margin	29,120	30	27,757	28						11,915	12,580	
<b>Totals:</b>												
Premium	\$1,524,267		\$1,468,288		\$1,025,150		\$1,014,857		\$212,382	\$0	\$22,914	\$24,929
Net Policy Obligations	641,458	42	623,788	42	645,898	63	647,326	64	163,457	77	0	-3,204
Comm. & Acq. Exp.	485,365	32	462,852	32	198,121	19	190,352	19	23,362	11	0	15,574
Underwriting Margin	\$397,444	26	\$381,648	26	\$181,131	18	\$177,179	17	\$25,563	12	\$0	\$11,915
TOTAL UNDERWRITING MARGINS, ALL LINES					\$616,053		\$571,407					
Other Income					4,024		2,366					
Administrative & Other Expenses					-155,331		-147,681					
<b>INSURANCE UNDERWRITING INCOME</b>					<u>\$464,746</u>		<u>\$426,092</u>					

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

**NET SALES \*\***

	<u>YTD 12/06</u>	<u>YTD 12/05</u>	<u>% Incr (Decr)</u>	<u>4th Qtr. 2006</u>	<u>4th Qtr. 2005</u>	<u>% Incr (Decr)</u>
<b><u>LIFE</u></b>						
Direct Response	\$115,031	\$112,240	2	\$25,846	\$25,887	0
American Income Agency	86,369	84,270	2	20,992	20,155	4
LNL Exclusive Agency	41,369	47,088	-12	9,180	11,912	-23
Military	12,005	17,571	-32	2,568	3,669	-30
UA Independent	1,675	3,664	-54	339	454	-25
UA Branch Office Agency	1,899	1,531	24	643	259	148
Other Distribution	7,149	8,602	-17	1,630	2,028	-20
Total Life	<u>265,497</u>	<u>274,966</u>	<u>-3</u>	<u>61,198</u>	<u>64,364</u>	<u>-5</u>
<b><u>HEALTH</u></b>						
Direct Response	5,344	5,970	-10	1,313	1,557	-16
American Income Agency	11,685	11,347	3	2,752	2,708	2
LNL Exclusive Agency	11,804	13,548	-13	2,666	3,668	-27
UA Independent	54,929	58,566	-6	13,736	13,701	0
UA Branch Office Agency	159,476	96,090	66	43,888	30,911	42
Total Health	<u>243,238</u>	<u>185,521</u>	<u>31</u>	<u>64,355</u>	<u>52,545</u>	<u>22</u>
<b>Part D</b>	278,023	0		8,140	0	
<b>TOTAL NET SALES</b>	\$786,758	\$460,487	71	\$133,693	\$116,909	14

\*\* 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**

	<u>YTD 12/06</u>	<u>YTD 12/05</u>	<u>% Incr (Decr)</u>	<u>4th Qtr. 2006</u>	<u>4th Qtr. 2005</u>	<u>% Incr (Decr)</u>
<b><u>LIFE</u></b>						
Direct Response	\$77,385	\$76,746	1	\$18,471	\$18,536	0
American Income Agency	72,072	73,490	-2	18,113	17,871	1
LNL Exclusive Agency	34,342	35,993	-5	7,784	8,820	-12
Military	14,129	21,821	-35	3,037	4,529	-33
UA Independent	1,565	3,755	-58	309	647	-52
UA Branch Office Agency	1,072	1,463	-27	319	272	17
Other Distribution	8,503	8,665	-2	1,630	2,537	-36
Total Life	<u>209,068</u>	<u>221,933</u>	<u>-6</u>	<u>49,663</u>	<u>53,212</u>	<u>-7</u>
<b><u>HEALTH</u></b>						
Direct Response	5,094	5,850	-13	1,285	1,372	-6
American Income Agency	12,716	12,804	-1	3,251	3,098	5
LNL Exclusive Agency	10,004	9,879	1	2,361	2,472	-4
UA Independent	46,901	51,332	-9	11,519	12,003	-4
UA Branch Office Agency	106,922	67,016	60	30,745	18,974	62
Total Health	<u>181,637</u>	<u>146,881</u>	<u>24</u>	<u>49,161</u>	<u>37,919</u>	<u>30</u>
<b>Part D</b>	212,382	0		56,573	0	
<b>TOTAL FIRST YEAR COLLECTED PREMIUM</b>	\$603,087	\$368,814	64	\$155,397	\$91,131	71

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

	At December 31,	
	2006	2005
<b>Assets</b>		
Investments:		
Fixed maturities available for sale *	\$9,126,784	\$8,836,642
Equity securities available for sale	41,245	48,047
Mortgage loans	19,739	31,043
Real estate	8,396	12,414
Policy loans	328,891	316,829
Other long-term investments	21,546	28,113
Short-term investments	156,671	118,310
Total investments	9,703,272	9,391,398
Cash	16,716	19,297
Securities lending collateral	0	257,390
Accrued investment income	168,118	158,225
Other receivables	74,906	67,262
Deferred acquisition costs	2,890,651	2,698,049
Value of insurance purchased	65,191	70,355
Property and equipment	29,020	28,189
Goodwill	378,436	378,436
Other assets	151,520	139,911
Separate account assets	1,498,622	1,560,391
Total assets	\$14,976,452	\$14,768,903
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Future policy benefits	\$7,456,423	\$7,001,052
Unearned and advance premium	88,039	91,758
Policy claims and other benefits payable	243,346	257,771
Other policy liabilities	90,671	89,229
Deferred and accrued income taxes	1,010,618	1,011,048
Securities lending obligation	0	257,390
Short-term debt	169,736	381,505
Long-term debt	721,248	507,902
Other liabilities	238,556	178,089
Separate account liabilities	1,498,622	1,560,391
Total liabilities	11,517,259	11,336,135
Shareholders' equity:		
Preferred stock	0	0
Common stock	99,875	104,875
Additional paid-in-capital	492,333	508,713
Unrealized investment gains (losses), net of tax	140,097	269,084
Retained earnings	2,827,287	2,621,552
Treasury stock, at cost	-100,399	-71,456
Total shareholders' equity	3,459,193	3,432,768
Total liabilities and shareholders' equity	\$14,976,452	\$14,768,903
Diluted Basis:		
Shares outstanding	99,755	104,303
Book value per common share	\$34.68	\$32.91
Book value per common share excluding FAS 115	\$33.25	\$30.41
* Amortized cost of fixed maturities	\$8,897,401	\$8,411,635

**TORCHMARK CORPORATION**

Fixed Maturities  
(Millions of \$)  
December 31, 2006

**Total Fixed Maturities**

	<u>12/31/06</u>	<u>12/31/05</u>
Amortized Cost	\$8,897	\$8,412
Unrealized:		
Gains	319	486
Losses	<u>-90</u>	<u>-61</u>
Market	\$9,127	\$8,837
Annual Effective Yield (4Q)	7.0%	7.1%
Average Life	13.5	12.4

**Fixed Maturities at 12/31/06**

	<u>Amort. Cost</u>	<u>Unrealized</u>			<u>Market</u>	<u>Ratings</u>
		<u>Gains</u>	<u>Losses</u>	<u>Net</u>		
Investment Grade	\$8,229	\$289	-\$64	\$225	\$8,454	A-
Below Investment Grade	<u>668</u>	<u>30</u>	<u>-25</u>	<u>4</u>	<u>673</u>	BB-
Total	\$8,897	\$319	-\$90	\$229	\$9,127	A-

**Fixed Maturity Acquisitions:**

	<u>4Q'06</u>	<u>4Q'05</u>
Amount	\$360	\$191
Yield	6.6%	6.1%
Ratings	A-	BBB+
Average Life	22.1	13.9