

# TORCHMARK CORPORATION

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

6 Months Ended			2Q	1Q	4Q	3Q	2Q
6/07	6/06		2007	2007	2006	2006	2006
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$783,758	\$761,383	Premium	\$392,290	\$391,468	\$381,337	\$381,547	\$380,514
-331,508	-323,393	Net Policy Obligations	-165,791	-165,717	-157,798	-160,267	-161,712
-249,026	-240,027	Commissions and Acquisition Expenses	-125,037	-123,989	-121,098	-124,240	-119,711
<u>203,224</u>	<u>197,963</u>	Underwriting Margin	<u>101,462</u>	<u>101,762</u>	<u>102,441</u>	<u>97,040</u>	<u>99,091</u>
		Health:					
523,873	513,267	Premium	258,987	264,886	258,296	253,587	254,968
-328,604	-324,479	Net Policy Obligations	-162,653	-165,951	-162,441	-158,978	-161,132
-101,916	-97,441	Commissions and Acquisition Expenses	-50,567	-51,349	-50,273	-50,407	-48,879
<u>93,353</u>	<u>91,347</u>	Underwriting Margin	<u>45,767</u>	<u>47,586</u>	<u>45,582</u>	<u>44,202</u>	<u>44,957</u>
11,080	8,565	Health - Part D Underwriting Margin	5,959	5,121	8,491	8,507	4,966
<u>5,335</u>	<u>5,903</u>	Annuity Underwriting Margin	<u>2,694</u>	<u>2,641</u>	<u>2,871</u>	<u>3,141</u>	<u>2,992</u>
312,992	303,778	Total Underwriting Margin	155,882	157,110	159,385	152,890	152,006
2,266	2,197	Other Income	1,379	887	834	993	1,071
-75,594	-79,665	Admin. Expenses	-36,907	-38,687	-38,141	-37,525	-39,530
<u>239,664</u>	<u>226,310</u>	Underwriting Income	<u>120,354</u>	<u>119,310</u>	<u>122,078</u>	<u>116,358</u>	<u>113,547</u>
		<b>EXCESS INVESTMENT INCOME</b>					
323,177	308,118	Net Investment Income	160,663	162,514	159,423	160,751	154,819
		Required Interest:					
-126,406	-116,656	Net Policy Liabilities	-64,119	-62,287	-61,208	-59,474	-58,820
		Net Financing Costs:					
-33,666	-33,432	Interest on Debt	-16,475	-17,191	-17,970	-21,280	-17,532
<u>0</u>	<u>491</u>	Interest Rate Swaps	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>114</u>
163,105	158,521	Total Excess Investment Income	80,069	83,036	80,245	79,997	78,581
<u>-4,354</u>	<u>-4,658</u>	Parent Company Expenses	<u>-2,528</u>	<u>-1,826</u>	<u>-1,493</u>	<u>-1,711</u>	<u>-2,236</u>
398,415	380,173	Pre-Tax Operating Income	197,895	200,520	200,830	194,644	189,892
-135,455	-130,559	Income Tax	-67,323	-68,132	-69,242	-67,216	-65,192
<b>\$262,960</b>	<b>\$249,614</b>	<b>Net Operating Income Before Option Expense</b>	<b>\$130,572</b>	<b>\$132,388</b>	<b>\$131,588</b>	<b>\$127,428</b>	<b>\$124,700</b>
<b>\$2.69</b>	<b>\$2.44</b>	<b>Per Share</b>	<b>\$1.35</b>	<b>\$1.34</b>	<b>\$1.32</b>	<b>\$1.27</b>	<b>\$1.23</b>
-2,788	-2,265	Stock Option Expense, Net of Tax	-1,459	-1,329	-1,035	-974	-1,155
<b>\$260,172</b>	<b>\$247,349</b>	<b>Net Operating Income</b>	<b>\$129,113</b>	<b>\$131,059</b>	<b>\$130,553</b>	<b>\$126,454</b>	<b>\$123,545</b>
<b>\$2.66</b>	<b>\$2.42</b>	<b>Per Share</b>	<b>\$1.34</b>	<b>\$1.32</b>	<b>\$1.31</b>	<b>\$1.26</b>	<b>\$1.22</b>
97,857	102,251	Average Diluted Shares Outstanding	96,652	99,026	99,786	100,103	100,982
		Reconciling items, net of tax:					
\$1,798	\$0	Gain on Sale of Agency Buildings	\$1,211	\$587	\$2,816	\$0	\$0
4,694	3,602	Capital Gain (Loss) - Investments	-1,838	6,532	-3,305	-4,914	5,724
0	-2,956	Capital Gain (Loss) - Interest Rate Swaps	0	0	0	0	-805
-4,729	-3,925	Part D Adjustment	-1,603	-3,126	1,698	2,227	-1,089
701	-538	Tax Settlements	351	350	7,368	4,777	0
-328	4,117	Net Proceeds (Cost) from Legal Settlements	-117	-211	3,308	0	0
<u>\$262,308</u>	<u>\$247,649</u>	Net Income	<u>\$127,117</u>	<u>\$135,191</u>	<u>\$142,438</u>	<u>\$128,544</u>	<u>\$127,375</u>

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	2Q 2007	%	2Q 2006	%	2Q 2007	%	2Q 2006	%	2Q 2007	%	2Q 2006	%	2Q 2007	2Q 2006
<b>LNL Exclusive Agency</b>														
Premium	\$74,455		\$76,006		\$35,508		\$36,275							
Net Policy Obligations	36,987	50	35,805	47	22,612	64	23,835	66						
Comm. & Acq. Exp.	21,051	28	21,594	28	4,259	12	5,612	15						
Underwriting Margin	16,417	22	18,607	24	8,637	24	6,828	19						
<b>UA Independent</b>														
Premium	9,080		10,217		98,248		105,330							
Net Policy Obligations	4,105	45	4,396	43	62,497	64	66,999	64						
Comm. & Acq. Exp.	4,471	49	4,964	49	19,241	20	20,231	19						
Underwriting Margin	504	6	857	8	16,510	17	18,100	17						
<b>UA Branch Office Agency</b>														
Premium	3,766		3,950		97,465		87,238							
Net Policy Obligations	1,617	43	1,871	47	62,364	64	56,809	65						
Comm. & Acq. Exp.	1,410	37	1,464	37	21,796	22	17,943	21						
Underwriting Margin	739	20	615	16	13,305	14	12,486	14						
<b>Direct Response</b>														
Premium	120,686		113,301		10,395		9,542							
Net Policy Obligations	55,997	46	52,642	46	8,286	80	7,610	80						
Comm. & Acq. Exp.	35,680	30	32,697	29	754	7	738	8						
Underwriting Margin	29,009	24	27,962	25	1,355	13	1,194	13						
<b>American Income Agency</b>														
Premium	108,959		101,719		17,371		16,583							
Net Policy Obligations	36,839	34	34,311	34	6,894	40	5,879	35						
Comm. & Acq. Exp.	37,967	35	35,284	35	4,517	26	4,355	26						
Underwriting Margin	34,153	31	32,124	32	5,960	34	6,349	38						
<b>Military</b>														
Premium	50,950		50,847											
Net Policy Obligations	20,955	41	22,188	44										
Comm. & Acq. Exp.	17,056	33	16,585	33										
Underwriting Margin	12,939	25	12,074	24										
<b>Part D</b>														
Premium								\$55,099		\$53,275				
Net Policy Obligations								43,903	80	42,451	80			
Net Amortization of DAC								1,378	3	1,598	3			
Fees to PBM								3,859	7	4,260	8			
Underwriting Margin								5,959	11	4,966	9			
<b>Other Distribution</b>														
Premium	24,394		24,474									\$5,353	\$5,953	
Net Policy Obligations	9,291	38	10,499	43								-560	-777	
Comm. & Acq. Exp.	7,402	30	7,123	29								3,219	3,738	
Underwriting Margin	7,701	32	6,852	28								2,694	2,992	
<b>Totals:</b>														
Premium	\$392,290		\$380,514		\$258,987		\$254,968		\$55,099		\$53,275		\$5,353	\$5,953
Net Policy Obligations	165,791	42	161,712	42	162,653	63	161,132	63	43,903	80	42,451	80	-560	-777
Comm. & Acq. Exp.	125,037	32	119,711	31	50,567	20	48,879	19	5,237	10	5,858	11	3,219	3,738
Underwriting Margin	\$101,462	26	\$99,091	26	\$45,767	18	\$44,957	18	\$5,959	11	\$4,966	9	\$2,694	\$2,992
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					\$155,882		\$152,006							
Other Income					1,379		1,071							
Administrative & Other Expenses					-36,907		-39,530							
<b>INSURANCE UNDERWRITING INCOME</b>					<u>\$120,354</u>		<u>\$113,547</u>							

## TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	YTD 6/07	%	YTD 6/06	%	YTD 6/07	%	YTD 6/06	%	YTD 6/07	%	YTD 6/06	%	YTD 6/07	YTD 6/06
<b>LNL Exclusive Agency</b>														
Premium	\$148,662		\$151,658		\$71,884		\$71,759							
Net Policy Obligations	72,099	48	71,549	47	45,825	64	46,486	65						
Comm. & Acq. Exp.	41,493	28	42,785	28	8,585	12	11,158	16						
Underwriting Margin	35,070	24	37,324	25	17,474	24	14,115	20						
<b>UA Independent</b>														
Premium	18,545		20,857		202,016		215,757							
Net Policy Obligations	8,273	45	8,861	42	128,505	64	137,243	64						
Comm. & Acq. Exp.	9,047	49	10,105	48	39,314	19	40,591	19						
Underwriting Margin	1,225	7	1,891	9	34,197	17	37,923	18						
<b>UA Branch Office Agency</b>														
Premium	7,530		7,953		194,369		173,074							
Net Policy Obligations	3,227	43	3,622	46	124,083	64	112,706	65						
Comm. & Acq. Exp.	2,818	37	2,956	37	43,328	22	35,537	21						
Underwriting Margin	1,485	20	1,375	17	26,958	14	24,831	14						
<b>Direct Response</b>														
Premium	243,363		229,689		21,360		20,034							
Net Policy Obligations	112,849	46	105,879	46	16,885	79	15,993	80						
Comm. & Acq. Exp.	71,962	30	66,789	29	1,683	8	1,538	8						
Underwriting Margin	58,552	24	57,021	25	2,792	13	2,503	12						
<b>American Income Agency</b>														
Premium	215,405		200,957		34,244		32,643							
Net Policy Obligations	73,521	34	67,977	34	13,306	39	12,051	37						
Comm. & Acq. Exp.	75,262	35	69,554	35	9,006	26	8,617	26						
Underwriting Margin	66,622	31	63,426	32	11,932	35	11,975	37						
<b>Military</b>														
Premium	101,873		101,540											
Net Policy Obligations	41,907	41	45,011	44										
Comm. & Acq. Exp.	33,859	33	33,172	33										
Underwriting Margin	26,107	26	23,357	23										
<b>Part D</b>														
Premium								\$109,787		\$92,415				
Net Policy Obligations								87,927	80	73,685	80			
Net Amortization of DAC								2,746	3	2,772	3			
Fees to PBM								8,034	7	7,393	8			
Underwriting Margin								11,080	10	8,565	9			
<b>Other Distribution</b>														
Premium	48,380		48,729									\$10,419	\$11,681	
Net Policy Obligations	19,632	41	20,494	42								-1,211	-1,603	
Comm. & Acq. Exp.	14,585	30	14,666	30								6,295	7,381	
Underwriting Margin	14,163	29	13,569	28								5,335	5,903	
<b>Totals:</b>														
Premium	\$783,758		\$761,383		\$523,873		\$513,267		\$109,787		\$92,415		\$10,419	\$11,681
Net Policy Obligations	331,508	42	323,393	42	328,604	63	324,479	63	87,927	80	73,685	80	-1,211	-1,603
Comm. & Acq. Exp.	249,026	32	240,027	32	101,916	19	97,441	19	10,780	10	10,165	11	6,295	7,381
Underwriting Margin	\$203,224	26	\$197,963	26	\$93,353	18	\$91,347	18	\$11,080	10	\$8,565	9	\$5,335	\$5,903
TOTAL UNDERWRITING MARGINS, ALL LINES					\$312,992		\$303,778							
Other Income					2,266		2,197							
Administrative & Other Expenses					-75,594		-79,665							
INSURANCE UNDERWRITING INCOME					<u>\$239,664</u>		<u>\$226,310</u>							

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

**NET SALES \*\***

	<u>YTD 6/07</u>	<u>YTD 6/06</u>	<u>% Incr (Decr)</u>	<u>2nd Qtr. 2007</u>	<u>2nd Qtr. 2006</u>	<u>% Incr (Decr)</u>
<b><u>LIFE</u></b>						
Direct Response	\$57,644	\$60,905	-5	\$29,406	\$30,948	-5
American Income Agency	43,661	43,235	1	22,763	22,470	1
LNL Exclusive Agency	17,806	22,467	-21	9,024	11,256	-20
Military	5,375	6,780	-21	2,926	3,390	-14
UA Independent	310	816	-62	189	400	-53
UA Branch Office Agency	1,456	716	103	939	384	145
Other Distribution	3,552	3,827	-7	2,182	2,062	6
Total Life	<u>129,804</u>	<u>138,746</u>	<u>-6</u>	<u>67,429</u>	<u>70,910</u>	<u>-5</u>
<b><u>HEALTH</u></b>						
Direct Response	3,174	3,101	2	1,428	1,281	11
American Income Agency	5,338	5,898	-9	2,770	3,092	-10
LNL Exclusive Agency	4,627	6,094	-24	2,438	3,043	-20
UA Independent	23,367	29,389	-20	13,263	16,232	-18
UA Branch Office Agency	86,264	74,679	16	43,937	40,555	8
Total Health	<u>122,770</u>	<u>119,161</u>	<u>3</u>	<u>63,836</u>	<u>64,203</u>	<u>-1</u>
<b>Part D</b>	24,203	261,995	-91	6,857	78,169	-91
<b>TOTAL NET SALES</b>	<b>\$276,777</b>	<b>\$519,902</b>	<b>-47</b>	<b>\$138,122</b>	<b>\$213,282</b>	<b>-35</b>

\*\* 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 6/07</u>	<u>YTD 6/06</u>	<u>% Incr (Decr)</u>	<u>2nd Qtr. 2007</u>	<u>2nd Qtr. 2006</u>	<u>% Incr (Decr)</u>
<b><u>LIFE</u></b>						
Direct Response	\$38,429	\$39,722	-3	\$18,770	\$19,330	-3
American Income Agency	36,417	35,813	2	18,432	18,119	2
LNL Exclusive Agency	15,195	18,112	-16	7,361	9,055	-19
Military	5,451	7,778	-30	2,669	3,684	-28
UA Independent	454	915	-50	206	392	-47
UA Branch Office Agency	729	470	55	391	236	66
Other Distribution	3,103	4,844	-36	1,610	2,460	-35
Total Life	<u>99,778</u>	<u>107,654</u>	<u>-7</u>	<u>49,439</u>	<u>53,276</u>	<u>-7</u>
<b><u>HEALTH</u></b>						
Direct Response	2,618	2,549	3	1,248	1,267	-1
American Income Agency	5,920	5,960	-1	3,095	3,140	-1
LNL Exclusive Agency	4,412	5,142	-14	2,167	2,592	-16
UA Independent	20,743	23,871	-13	10,327	12,095	-15
UA Branch Office Agency	64,231	47,808	34	32,560	25,907	26
Total Health	<u>97,924</u>	<u>85,330</u>	<u>15</u>	<u>49,397</u>	<u>45,001</u>	<u>10</u>
<b>Part D</b>	41,332	92,415	-55	12,811	53,275	-76
<b>TOTAL FIRST YEAR COLLECTED PREMIUM</b>	<b>\$239,034</b>	<b>\$285,399</b>	<b>-16</b>	<b>\$111,647</b>	<b>\$151,552</b>	<b>-26</b>

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

	At June 30,	
	2007	2006
<b>Assets</b>		
Investments:		
Fixed maturities available for sale *	\$9,152,398	\$8,861,493
Equity securities available for sale	30,634	45,149
Mortgage loans	19,168	20,292
Real estate	10,769	12,114
Policy loans	333,519	321,262
Other long-term investments	41,246	22,310
Short-term investments	104,473	69,983
Total investments	9,692,207	9,352,603
Cash	14,095	12,695
Securities lending collateral	0	186,595
Accrued investment income	169,309	160,437
Other receivables	97,972	110,569
Deferred acquisition costs	3,006,153	2,826,388
Value of insurance purchased	64,968	68,472
Property and equipment	36,368	30,451
Goodwill	423,519	378,436
Other assets	136,380	165,415
Separate account assets	1,456,897	1,490,418
Total assets	\$15,097,868	\$14,782,479
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Future policy benefits	\$7,733,870	\$7,185,596
Unearned and advance premium	90,194	91,590
Policy claims and other benefits payable	259,645	268,419
Other policy liabilities	90,271	89,870
Deferred and accrued income taxes	970,304	931,411
Securities lending obligation	0	186,595
Short-term debt	263,453	294,300
Long-term debt	721,483	870,174
Other liabilities	263,967	246,696
Separate account liabilities	1,456,897	1,490,418
Total liabilities	11,850,084	11,655,069
Shareholders' equity:		
Preferred stock	0	0
Common stock	99,875	104,875
Additional paid-in-capital	501,814	513,832
Unrealized investment gains (losses), net of tax	-17,188	2,053
Retained earnings	3,055,989	2,842,722
Treasury stock, at cost	-392,706	-336,072
Total shareholders' equity	3,247,784	3,127,410
Total liabilities and shareholders' equity	\$15,097,868	\$14,782,479
Diluted Basis:		
Shares outstanding	95,412	100,419
Book value per common share	\$34.04	\$31.14
Book value per common share excluding FAS 115	\$34.20	\$31.20
* Amortized cost of fixed maturities	\$9,179,468	\$8,876,011

**TORCHMARK CORPORATION**

Fixed Maturities

(Millions of \$)

June 30, 2007

**Total Fixed Maturities**

	<u>6/30/07</u>	<u>6/30/06</u>
Amortized Cost	\$9,179	\$8,876
Unrealized:		
Gains	196	205
Losses	<u>-223</u>	<u>-220</u>
Market	\$9,152	\$8,861
Annual Effective Yield (2Q)	6.9%	7.0%
Average Life	17.1	12.8

**Fixed Maturities at 6/30/07**

	<u>Amort.</u> <u>Cost</u>	<u>Unrealized</u>			<u>Market</u>	<u>Ratings</u>
		<u>Gains</u>	<u>Losses</u>	<u>Net</u>		
Investment Grade	\$8,503	\$171	-\$195	-\$24	\$8,479	A-
Below Investment Grade	<u>677</u>	<u>25</u>	<u>-28</u>	<u>-3</u>	<u>674</u>	BB-
Total	\$9,179	\$196	-\$223	-\$27	\$9,152	A-

**Fixed Maturity Acquisitions:**

	<u>2Q'07</u>	<u>2Q'06</u>
Amount	\$944	\$443
Yield	6.8%	7.0%
Ratings	A	A+
Average Life	26.1	23.6