

# TORCHMARK CORPORATION

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

3 Months Ended			1Q	4Q	3Q	2Q	1Q
3/09	3/08		2009	2008	2008	2008	2008
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$412,748	\$402,948	Premium	\$412,748	\$401,250	\$406,114	\$406,492	\$402,948
-164,478	-166,868	Net Policy Obligations	-164,478	-158,453	-165,351	-172,032	-166,868
-137,800	-128,505	Commissions and Acquisition Expenses	-137,800	-130,747	-132,753	-130,320	-128,505
110,470	107,575	Underwriting Margin	110,470	112,050	108,010	104,140	107,575
		Health:					
224,037	253,095	Premium	224,037	224,954	230,855	242,400	253,095
-132,755	-157,113	Net Policy Obligations	-132,755	-138,058	-143,027	-151,000	-157,113
-50,517	-50,478	Commissions and Acquisition Expenses	-50,517	-44,989	-45,966	-47,723	-50,478
40,765	45,504	Underwriting Margin	40,765	41,907	41,862	43,677	45,504
4,819	4,899	Health - Part D Underwriting Margin	4,819	4,978	6,446	5,438	4,899
-4,096	1,125	Annuity Underwriting Margin	-4,096	-8,827	305	974	1,125
151,958	159,103	Total Underwriting Margin	151,958	150,108	156,623	154,229	159,103
666	847	Other Income	666	1,127	1,157	1,023	847
-39,417	-39,773	Admin. Expenses	-39,417	-43,032	-38,289	-38,189	-39,773
113,207	120,177	Underwriting Income	113,207	108,203	119,491	117,063	120,177
		<b>EXCESS INVESTMENT INCOME</b>					
168,977	166,837	Net Investment Income	168,977	167,666	168,968	167,760	166,837
-73,218	-67,304	Required Interest on Net Policy Liabilities	-73,218	-73,520	-70,354	-68,947	-67,304
-15,598	-16,106	Interest on Debt	-15,598	-16,666	-15,441	-14,752	-16,106
80,161	83,427	Total Excess Investment Income	80,161	77,480	83,173	84,061	83,427
-1,932	-1,659	Parent Company Expenses	-1,932	-4,477	-1,626	-2,693	-1,659
191,436	201,945	Pre-Tax Operating Income	191,436	181,206	201,038	198,431	201,945
-64,594	-68,488	Income Tax	-64,594	-61,013	-66,973	-65,824	-68,488
\$126,842	\$133,457	Net Operating Income Before Stock Compensation Expense	\$126,842	\$120,193	\$134,065	\$132,607	\$133,457
-1,587	-1,622	Stock Compensation Expense, Net of Tax	-1,587	-1,636	-1,771	-2,006	-1,622
<b>\$125,255</b>	<b>\$131,835</b>	<b>Net Operating Income</b>	<b>\$125,255</b>	<b>\$118,557</b>	<b>\$132,294</b>	<b>\$130,601</b>	<b>\$131,835</b>
<b>\$1.49</b>	<b>\$1.43</b>	<b>Per Share</b>	<b>\$1.49</b>	<b>\$1.40</b>	<b>\$1.51</b>	<b>\$1.44</b>	<b>\$1.43</b>
83,875	91,877	Average Diluted Shares Outstanding	83,875	84,987	87,811	90,698	91,877
		Reconciling items, net of tax:					
\$0	\$12	Gain on Sale of Agency Buildings	\$0	\$0	\$35	\$134	\$12
-41,045	-4,526	Capital Gain (Loss) - Investments	-41,045	11,046	-71,394	-5,004	-4,526
-10,663	-8,626	Part D Adjustment	-10,663	7,572	3,172	-2,118	-8,626
3,159	0	Tax Settlements	3,159	116	601	10,106	0
0	862	Net Proceeds (Cost) from Legal Settlements	0	-82	-1,557	7	862
0	-1,384	Loss on Company Occupied Property	0	0	0	0	-1,384
<b>\$76,706</b>	<b>\$118,173</b>	<b>Net Income</b>	<b>\$76,706</b>	<b>\$137,209</b>	<b>\$63,151</b>	<b>\$133,726</b>	<b>\$118,173</b>

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	1Q 2009	%	1Q 2008	%	1Q 2009	%	1Q 2008	%	1Q 2009	%	1Q 2008	%	1Q 2009	1Q 2008
<b>LNL Exclusive Agency *</b>														
Premium	\$74,921		\$76,298		\$106,211		\$128,536							
Net Policy Obligations	32,612	44	34,956	46	62,594	59	80,619	63						
Comm. & Acq. Exp.	25,478	34	22,983	30	26,817	25	26,255	20						
Underwriting Margin	16,831	22	18,359	24	16,800	16	21,662	17						
<b>UA Independent</b>														
Premium	7,481		8,356		87,799		94,996							
Net Policy Obligations	3,411	46	3,806	46	54,510	62	60,627	64						
Comm. & Acq. Exp.	3,571	48	3,985	48	17,966	20	18,733	20						
Underwriting Margin	499	7	565	7	15,323	17	15,636	16						
<b>Direct Response</b>														
Premium	135,283		128,635		11,862		11,647							
Net Policy Obligations	60,067	44	60,189	47	9,072	76	9,283	80						
Comm. & Acq. Exp.	42,413	31	38,127	30	1,011	9	830	7						
Underwriting Margin	32,803	24	30,319	24	1,779	15	1,534	13						
<b>American Income Agency</b>														
Premium	122,993		115,483		18,165		17,916							
Net Policy Obligations	38,752	32	37,341	32	6,579	36	6,584	37						
Comm. & Acq. Exp.	43,669	36	40,699	35	4,723	26	4,660	26						
Underwriting Margin	40,572	33	37,443	32	6,863	38	6,672	37						
<b>Military</b>														
Premium	49,675		50,651											
Net Policy Obligations	20,084	40	20,757	41										
Comm. & Acq. Exp.	16,321	33	16,617	33										
Underwriting Margin	13,270	27	13,277	26										
<b>Part D</b>														
Premium								\$45,888		\$46,621				
Net Policy Obligations								37,766	82	37,432	80			
Net Amortization of DAC								1,422	3	1,166	3			
Fees to PBM								1,881	4	3,124	7			
Underwriting Margin								4,819	11	4,899	11			
<b>Other Distribution</b>														
Premium	22,395		23,525									\$2,397	\$3,981	
Net Policy Obligations	9,552	43	9,819	42								239	-718	
Comm. & Acq. Exp.	6,348	28	6,094	26								6,254	3,574	
Underwriting Margin	6,495	29	7,612	32								-4,096	1,125	
<b>Totals:</b>														
Premium	\$412,748		\$402,948		\$224,037		\$253,095		\$45,888		\$46,621		\$2,397	\$3,981
Net Policy Obligations	164,478	40	166,868	41	132,755	59	157,113	62	37,766	82	37,432	80	239	-718
Comm. & Acq. Exp.	137,800	33	128,505	32	50,517	23	50,478	20	3,303	7	4,290	9	6,254	3,574
Underwriting Margin	\$110,470	27	\$107,575	27	\$40,765	18	\$45,504	18	\$4,819	11	\$4,899	11	-\$4,096	\$1,125
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					\$151,958		\$159,103							
Other Income					666		847							
Administrative & Other Expenses					-39,417		-39,773							
<b>INSURANCE UNDERWRITING INCOME</b>					<u>\$113,207</u>		<u>\$120,177</u>							

\* Components of underwriting margin for UA Branch Office Agency are now included in LNL Exclusive Agency

## TORCHMARK CORPORATION

Net Sales and First Year Collected Premium (Unaudited)

(In thousands)

### NET SALES \*

	<u>YTD</u> <u>3/09</u>	<u>YTD</u> <u>3/08</u>	<u>% Incr</u> <u>(Decr)</u>
<b><u>LIFE</u></b>			
Direct Response	\$34,201	\$30,556	12
American Income Agency	27,537	24,355	13
LNL Agency:			
LNL Exclusive Agency	12,787	10,050	27
UA Branch Office Agency	1,040	2,040	-49
Military	1,725	2,146	-20
UA Independent	140	164	-15
Other Distribution	1,027	1,183	-13
Total Life	<u>78,457</u>	<u>70,494</u>	<u>11</u>
<b><u>HEALTH</u></b>			
Direct Response	413	1,482	-72
American Income Agency	2,782	2,771	0
LNL Agency:			
LNL Exclusive Agency	3,525	2,299	53
UA Branch Office Agency	6,460	25,331	-74
UA Independent	7,349	9,903	-26
Total Health	<u>20,529</u>	<u>41,786</u>	<u>-51</u>
<b>Part D</b>	10,119	9,225	10
<b>TOTAL NET SALES</b>	<b>\$109,105</b>	<b>\$121,505</b>	<b>-10</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</u> <u>3/09</u>	<u>YTD</u> <u>3/08</u>	<u>% Incr</u> <u>(Decr)</u>
<b><u>LIFE</u></b>			
Direct Response	\$21,550	\$20,602	5
American Income Agency	21,894	19,237	14
LNL Exclusive Agency **	8,648	7,845	10
Military	1,626	2,244	-28
UA Independent	98	102	-4
Other Distribution	943	1,232	-23
Total Life	<u>54,759</u>	<u>51,262</u>	<u>7</u>
<b><u>HEALTH</u></b>			
Direct Response	911	1,155	-21
American Income Agency	2,814	2,788	1
LNL Exclusive Agency **	11,242	27,867	-60
UA Independent	6,834	8,836	-23
Total Health	<u>21,801</u>	<u>40,646</u>	<u>-46</u>
<b>Part D</b>	5,687	4,079	39
<b>TOTAL FIRST YEAR COLLECTED PREMIUM</b>	<b>\$82,247</b>	<b>\$95,987</b>	<b>-14</b>

\*\* UA Branch Office premiums are now included in LNL Exclusive Agency

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

	At March 31,	
	2009	2008
<b>Assets</b>		
Investments:		
Fixed maturities available for sale *	\$7,336,347	\$9,108,559
Equity securities available for sale	16,215	19,831
Mortgage loans	16,894	18,277
Real estate	2,392	7,297
Policy loans	363,564	346,599
Other long-term investments	39,837	49,160
Short-term investments	292,251	84,368
Total investments	8,067,500	9,634,091
Cash	46,685	7,944
Accrued investment income	185,932	182,952
Other receivables	179,906	91,482
Deferred acquisition costs	3,389,096	3,158,017
Value of insurance purchased	53,936	59,858
Property and equipment	51,112	49,681
Goodwill	423,519	423,519
Other assets	157,147	129,020
Separate account assets	690,917	1,235,785
Total assets	\$13,245,750	\$14,972,349
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Future policy benefits	\$8,627,715	\$8,125,428
Unearned and advance premium	89,457	87,468
Policy claims and other benefits payable	242,979	258,002
Other policy liabilities	89,692	90,236
Deferred and accrued income taxes	345,895	898,156
Short-term debt	372,847	241,099
Long-term debt	622,903	721,849
Other liabilities	187,744	234,506
Separate account liabilities	690,917	1,235,785
Total liabilities	11,270,149	11,892,529
Shareholders' equity:		
Preferred stock	0	0
Common stock	85,875	94,875
Additional paid-in-capital	444,039	480,673
Unrealized investment gains (losses), net of tax	-1,438,446	-289,800
Retained earnings	2,993,652	3,108,298
Treasury stock, at cost	-109,519	-314,226
Total shareholders' equity	1,975,601	3,079,820
Total liabilities and shareholders' equity	\$13,245,750	\$14,972,349
Diluted Basis:		
Shares outstanding	82,735	90,785
Book value per common share	\$23.88	\$33.92
Book value per common share excluding FAS 115	\$40.36	\$36.88
* Amortized cost of fixed maturities	\$9,568,614	\$9,548,760

**TORCHMARK CORPORATION**

Invested Assets

(Millions of \$)

March 31, 2009

**Investment Portfolio at 3/31/09**

	Amort. Cost	% of Total	Industry
Fixed maturities	\$9,569	93%	78%
Equities	17	0%	3%
Mortgage loans	17	0%	10%
Investment real estate	2	0%	1%
Policy loans	364	4%	4%
Other long-term investments	40	0%	3%
Short-term investments	292	3%	1%
<b>Total</b>	<b>\$10,300</b>	<b>100%</b>	

**Fixed Maturities at 3/31/09**

Summary

	Amort. Cost	Market Value	Net Unreal. Gain (Loss)	Average Rating	% of Total Amort. Cost
Investment Grade	\$8,303	\$6,634	-\$1,669	A-	87%
Below Investment Grade	1,266	702	-563	BB-	13%
<b>Total</b>	<b>\$9,569</b>	<b>\$7,336</b>	<b>-\$2,232</b>	<b>BBB+</b>	

By Type

Corporates	\$7,439	\$5,974	-\$1,465	BBB+	78%
Redeemable preferred stock:					
U.S.	1,363	768	-595	BBB	14%
Foreign	114	55	-59	BBB	1%
Municipals	261	228	-33	AA	3%
Government-sponsored enterprises	182	181	-1	AAA	2%
Government & Agencies	24	24	0	AA+	0%
Residential mortgage-backed securities	22	24	2	AAA	0%
Commercial mortgage-backed securities	16	16	0	AAA	0%
CDO's	109	32	-77	BB+	1%
Other asset-backed securities	39	35	-4	A-	0%
<b>Total</b>	<b>\$9,569</b>	<b>\$7,336</b>	<b>-\$2,232</b>	<b>BBB+</b>	

**TORCHMARK CORPORATION**

Invested Assets  
(Millions of \$)  
March 31, 2009

<u>By Sector</u>	<u>Amort. Cost</u>	<u>Market Value</u>	<u>Net Unreal. Gain (Loss)</u>	<u>Average Rating</u>	<u>% of Total Amort. Cost</u>
Financial - Life/Health/PC Insurance	\$1,767	\$1,112	-\$655	BBB+	18%
Financial - Bank	1,597	1,031	-566	A-	17%
Financial - Financial Guarantor	106	45	-61	BBB-	1%
Financial - Mortgage Insurer	75	32	-43	B	1%
Financial - Insurance Brokers	50	32	-18	BBB-	1%
Financial - Other	279	179	-100	BBB+	3%
Utilities	1,200	1,108	-92	BBB+	13%
Energy	833	714	-119	BBB+	9%
Consumer, Non-cyclical	641	585	-56	BBB	7%
Consumer, Cyclical	457	350	-107	BBB	5%
Communications	572	465	-107	BBB	6%
Basic Materials	552	441	-111	BBB	6%
Transportation	297	270	-27	BBB	3%
Other Industrials	530	468	-62	BBB	6%
ABS - CDO	109	32	-77	BB+	1%
MBS	38	40	2	AAA	0%
Government	466	433	-33	AA+	5%
<b>Total</b>	<b>\$9,569</b>	<b>\$7,336</b>	<b>-\$2,232</b>	<b>BBB+</b>	

<u>By Sector by Rating: Amortized Cost</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BIG</u>	<u>Total</u>
Financial - Life/Health/PC Insurance		\$1	\$515	\$1,085	\$166	\$1,767
Financial - Bank	55	87	831	404	219	1,596
Financial - Financial Guarantor			22	15	69	106
Financial - Mortgage Insurer					75	75
Financial - Insurance Brokers				50		50
Financial - Other		108	15	114	41	278
Utilities			342	804	55	1,201
Energy		41	142	651		834
Consumer, Non-cyclical		5	239	287	109	640
Consumer, Cyclical		40	82	196	139	457
Communications			128	305	139	572
Basic Materials			117	375	60	552
Transportation		3	39	245	11	298
Other Industrials			181	246	103	530
ABS - CDO			30		79	109
MBS	38					38
Government	254	122	90			466
<b>Total - \$</b>	<b>\$347</b>	<b>\$407</b>	<b>\$2,773</b>	<b>\$4,777</b>	<b>\$1,265</b>	<b>\$9,569</b>
<b>- % of Total</b>	<b>4%</b>	<b>4%</b>	<b>29%</b>	<b>50%</b>	<b>13%</b>	<b>100%</b>

**TORCHMARK CORPORATION**

Invested Assets

(Millions of \$)

March 31, 2009

<u>Below Investment Grade Bonds by Sector</u>	<u>3/31/09</u>	<u>12/31/08</u>	<u>Increase / (Decrease)</u>
Financial - Life/Health/PC Insurance	\$166	\$51	\$115
Financial - Bank	219	9	210
Financial - Financial Guarantor	69	9	60
Financial - Mortgage Insurer	75	75	0
Financial - Insurance Brokers	0	0	0
Financial - Other	41	30	11
Utilities	55	55	0
Energy	0	11	-11
Consumer, Non-cyclical	109	109	0
Consumer, Cyclical	139	115	25
Communications	139	147	-8
Basic Materials	60	40	20
Transportation	11	11	0
Other Industrials	103	51	52
ABS - CDO	79	0	79
MBS	0	0	0
Government	0	0	0
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Total	\$1,265	\$712	\$553

**Fixed Maturity Acquisitions:**

	<u>1Q'09</u>	<u>1Q'08</u>
Amount	\$230	\$431
Yield	7.7%	7.2%
Ratings	A-	A-
Average Life To:		
First Call	24.7	22.0
Maturity	25.6	34.6