

# TORCHMARK CORPORATION

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

6 Months Ended			2Q	1Q	4Q	3Q	2Q
6/09	6/08		2009	2009	2008	2008	2008
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$827,792	\$809,440	Premium	\$415,044	\$412,748	\$401,250	\$406,114	\$406,492
-332,953	-338,900	Net Policy Obligations	-168,475	-164,478	-158,453	-165,351	-172,032
<u>-273,745</u>	<u>-258,825</u>	Commissions and Acquisition Expenses	<u>-135,945</u>	<u>-137,800</u>	<u>-130,747</u>	<u>-132,753</u>	<u>-130,320</u>
221,094	211,715	Underwriting Margin	110,624	110,470	112,050	108,010	104,140
		Health:					
435,918	495,495	Premium	211,881	224,037	224,954	230,855	242,400
-258,135	-308,113	Net Policy Obligations	-125,380	-132,755	-138,058	-143,027	-151,000
<u>-98,713</u>	<u>-98,201</u>	Commissions and Acquisition Expenses	<u>-48,196</u>	<u>-50,517</u>	<u>-44,989</u>	<u>-45,966</u>	<u>-47,723</u>
79,070	89,181	Underwriting Margin	38,305	40,765	41,907	41,862	43,677
9,596	10,337	Health - Part D Underwriting Margin	4,777	4,819	4,978	6,446	5,438
<u>1,073</u>	<u>2,099</u>	Annuity Underwriting Margin	<u>5,169</u>	<u>-4,096</u>	<u>-8,827</u>	<u>305</u>	<u>974</u>
310,833	313,332	Total Underwriting Margin	158,875	151,958	150,108	156,623	154,229
1,386	1,870	Other Income	720	666	1,127	1,157	1,023
<u>-79,248</u>	<u>-77,962</u>	Admin. Expenses	<u>-39,831</u>	<u>-39,417</u>	<u>-43,032</u>	<u>-38,289</u>	<u>-38,189</u>
232,971	237,240	Underwriting Income	119,764	113,207	108,203	119,491	117,063
		<b>EXCESS INVESTMENT INCOME</b>					
336,265	334,597	Net Investment Income	167,288	168,977	167,666	168,968	167,760
-149,475	-136,251	Required Interest on Net Policy Liabilities	-76,257	-73,218	-73,520	-70,354	-68,947
<u>-30,448</u>	<u>-30,858</u>	Interest on Debt	<u>-14,850</u>	<u>-15,598</u>	<u>-16,666</u>	<u>-15,441</u>	<u>-14,752</u>
156,342	167,488	Total Excess Investment Income	76,181	80,161	77,480	83,173	84,061
<u>-4,572</u>	<u>-4,352</u>	Parent Company Expenses	<u>-2,640</u>	<u>-1,932</u>	<u>-4,477</u>	<u>-1,626</u>	<u>-2,693</u>
384,741	400,376	Pre-Tax Operating Income	193,305	191,436	181,206	201,038	198,431
<u>-129,900</u>	<u>-134,312</u>	Income Tax	<u>-65,306</u>	<u>-64,594</u>	<u>-61,013</u>	<u>-66,973</u>	<u>-65,824</u>
\$254,841	\$266,064	Net Operating Income Before Stock Compensation Expense	\$127,999	\$126,842	\$120,193	\$134,065	\$132,607
<u>-3,384</u>	<u>-3,628</u>	Stock Compensation Expense, Net of Tax	<u>-1,797</u>	<u>-1,587</u>	<u>-1,636</u>	<u>-1,771</u>	<u>-2,006</u>
<b>\$251,457</b>	<b>\$262,436</b>	<b>Net Operating Income</b>	<b>\$126,202</b>	<b>\$125,255</b>	<b>\$118,557</b>	<b>\$132,294</b>	<b>\$130,601</b>
<b>\$3.02</b>	<b>\$2.87</b>	<b>Per Share</b>	<b>\$1.53</b>	<b>\$1.49</b>	<b>\$1.40</b>	<b>\$1.51</b>	<b>\$1.44</b>
83,302	91,366	Average Diluted Shares Outstanding	82,735	83,875	84,987	87,811	90,698
		Reconciling items, net of tax:					
\$0	\$146	Gain on Sale of Agency Buildings	\$0	\$0	\$0	\$35	\$134
-52,802	-9,530	Capital Gain (Loss) - Investments	-11,757	-41,045	11,046	-71,394	-5,004
-10,990	-10,744	Part D Adjustment	-327	-10,663	7,572	3,172	-2,118
3,159	10,106	Tax Settlements	0	3,159	116	601	10,106
0	869	Net Proceeds (Cost) from Legal Settlements	0	0	-82	-1,557	7
<u>0</u>	<u>-1,384</u>	Loss on Company Occupied Property	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$190,824</u>	<u>\$251,899</u>	Net Income	<u>\$114,118</u>	<u>\$76,706</u>	<u>\$137,209</u>	<u>\$63,151</u>	<u>\$133,726</u>

## TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	2Q 2009	%	2Q 2008	%	2Q 2009	%	2Q 2008	%	2Q 2009	%	2Q 2008	%	2Q 2009	2Q 2008
<b>LNL Exclusive Agency *</b>														
Premium	\$75,132		\$76,329		\$99,298		\$122,112							
Net Policy Obligations	34,548	46	36,748	48	58,540	59	77,424	63						
Comm. & Acq. Exp.	26,038	35	22,801	30	25,214	25	24,303	20						
Underwriting Margin	14,546	19	16,780	22	15,544	16	20,385	17						
<b>UA Independent</b>														
Premium	7,232		8,122		82,630		90,600							
Net Policy Obligations	3,142	43	3,520	43	51,291	62	57,717	64						
Comm. & Acq. Exp.	3,590	50	4,077	50	17,122	21	17,858	20						
Underwriting Margin	500	7	525	6	14,217	17	15,025	17						
<b>Direct Response</b>														
Premium	135,320		129,252		11,475		11,212							
Net Policy Obligations	62,178	46	61,370	47	8,763	76	8,935	80						
Comm. & Acq. Exp.	39,585	29	38,270	30	1,019	9	810	7						
Underwriting Margin	33,557	25	29,612	23	1,693	15	1,467	13						
<b>American Income Agency</b>														
Premium	124,906		118,783		18,478		18,476							
Net Policy Obligations	38,610	31	39,055	33	6,786	37	6,924	37						
Comm. & Acq. Exp.	45,011	36	41,849	35	4,841	26	4,752	26						
Underwriting Margin	41,285	33	37,879	32	6,851	37	6,800	37						
<b>Military</b>														
Premium	49,552		50,466											
Net Policy Obligations	19,738	40	20,202	40										
Comm. & Acq. Exp.	16,053	32	16,616	33										
Underwriting Margin	13,761	28	13,648	27										
<b>Part D</b>														
Premium								\$45,456		\$44,519				
Net Policy Obligations								38,317	84	34,984	79			
Net Amortization of DAC								498	1	1,115	3			
Fees to PBM								1,864	4	2,982	7			
Underwriting Margin								4,777	11	5,438	12			
<b>Other Distribution</b>														
Premium	22,902		23,540									\$2,483	\$3,828	
Net Policy Obligations	10,259	45	11,137	47								-2,881	-840	
Comm. & Acq. Exp.	5,668	25	6,707	28								195	3,694	
Underwriting Margin	6,975	30	5,696	24								5,169	974	
<b>Totals:</b>														
Premium	\$415,044		\$406,492		\$211,881		\$242,400		\$45,456		\$44,519		\$2,483	\$3,828
Net Policy Obligations	168,475	41	172,032	42	125,380	59	151,000	62	38,317	84	34,984	79	-2,881	-840
Comm. & Acq. Exp.	135,945	33	130,320	32	48,196	23	47,723	20	2,362	5	4,097	9	195	3,694
Underwriting Margin	\$110,624	27	\$104,140	26	\$38,305	18	\$43,677	18	\$4,777	11	\$5,438	12	\$5,169	\$974
TOTAL UNDERWRITING MARGINS, ALL LINES					\$158,875		\$154,229							
Other Income					720		1,023							
Administrative & Other Expenses					-39,831		-38,189							
INSURANCE UNDERWRITING INCOME					<u>\$119,764</u>		<u>\$117,063</u>							

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

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				HEALTH - PART D				ANNUITY	
	YTD 6/09	%	YTD 6/08	%	YTD 6/09	%	YTD 6/08	%	YTD 6/09	%	YTD 6/08	%	YTD 6/09	YTD 6/08
<b>LNL Exclusive Agency</b>														
Premium	\$150,053		\$152,627		\$205,509		\$250,648							
Net Policy Obligations	67,160	45	71,704	47	121,134	59	158,043	63						
Comm. & Acq. Exp.	51,516	34	45,784	30	52,031	25	50,558	20						
Underwriting Margin	31,377	21	35,139	23	32,344	16	42,047	17						
<b>UA Independent</b>														
Premium	14,713		16,478		170,429		185,596							
Net Policy Obligations	6,553	45	7,326	44	105,801	62	118,344	64						
Comm. & Acq. Exp.	7,161	49	8,062	49	35,088	21	36,591	20						
Underwriting Margin	999	7	1,090	7	29,540	17	30,661	17						
<b>Direct Response</b>														
Premium	270,603		257,887		23,337		22,859							
Net Policy Obligations	122,245	45	121,559	47	17,835	76	18,218	80						
Comm. & Acq. Exp.	81,998	30	76,397	30	2,030	9	1,640	7						
Underwriting Margin	66,360	25	59,931	23	3,472	15	3,001	13						
<b>American Income Agency</b>														
Premium	247,899		234,266		36,643		36,392							
Net Policy Obligations	77,362	31	76,396	33	13,365	36	13,508	37						
Comm. & Acq. Exp.	88,680	36	82,548	35	9,564	26	9,412	26						
Underwriting Margin	81,857	33	75,322	32	13,714	37	13,472	37						
<b>Military</b>														
Premium	99,227		101,117											
Net Policy Obligations	39,822	40	40,959	41										
Comm. & Acq. Exp.	32,374	33	33,233	33										
Underwriting Margin	27,031	27	26,925	27										
<b>Part D</b>														
Premium								\$91,344		\$91,140				
Net Policy Obligations								76,083	83	72,416	79			
Net Amortization of DAC								1,920	2	2,281	3			
Fees to PBM								3,745	4	6,106	7			
Underwriting Margin								9,596	11	10,337	11			
<b>Other Distribution</b>														
Premium	45,297		47,065									\$4,880	\$7,809	
Net Policy Obligations	19,811	44	20,956	45								-2,642	-1,558	
Comm. & Acq. Exp.	12,016	27	12,801	27								6,449	7,268	
Underwriting Margin	13,470	30	13,308	28								1,073	2,099	
<b>Totals:</b>														
Premium	\$827,792		\$809,440		\$435,918		\$495,495		\$91,344		\$91,140		\$4,880	\$7,809
Net Policy Obligations	332,953	40	338,900	42	258,135	59	308,113	62	76,083	83	72,416	79	-2,642	-1,558
Comm. & Acq. Exp.	273,745	33	258,825	32	98,713	23	98,201	20	5,665	6	8,387	9	6,449	7,268
Underwriting Margin	\$221,094	27	\$211,715	26	\$79,070	18	\$89,181	18	\$9,596	11	\$10,337	11	\$1,073	\$2,099
TOTAL UNDERWRITING MARGINS, ALL LINES					\$310,833		\$313,332							
Other Income					1,386		1,870							
Administrative & Other Expenses					-79,248		-77,962							
INSURANCE UNDERWRITING INCOME					<u>\$232,971</u>		<u>\$237,240</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>6/09</u>	<u>YTD</u> <u>6/08</u>	<u>% Incr</u> <u>(Decr)</u>	<u>2nd Qtr.</u> <u>2009</u>	<u>2nd Qtr.</u> <u>2008</u>	<u>% Incr</u> <u>(Decr)</u>
<b><u>LIFE</u></b>						
Direct Response	\$68,589	\$62,218	10	\$34,388	\$31,662	9
American Income Agency	60,521	52,002	16	32,984	27,647	19
LNL Agency:						
LNL Exclusive Agency	24,639	22,167	11	12,544	12,117	4
UA Branch Office Agency	4,232	3,675	15	2,500	1,635	53
Military	3,403	3,932	-13	1,678	1,786	-6
UA Independent	342	347	-1	202	183	10
Other Distribution	<u>2,246</u>	<u>2,168</u>	<u>4</u>	<u>1,219</u>	<u>985</u>	<u>24</u>
Total Life	163,972	146,509	12	85,515	76,015	12
<b><u>HEALTH</u></b>						
Direct Response	2,009	2,801	-28	1,596	1,319	21
American Income Agency	6,373	5,894	8	3,591	3,123	15
LNL Agency:						
LNL Exclusive Agency	6,356	5,232	21	3,380	2,933	15
UA Branch Office Agency	11,897	45,881	-74	4,888	20,550	-76
UA Independent	<u>13,450</u>	<u>19,592</u>	<u>-31</u>	<u>6,101</u>	<u>9,689</u>	<u>-37</u>
Total Health	40,085	79,400	-50	19,556	37,614	-48
<b>Part D</b>	12,618	10,607	19	2,499	1,382	81
<b>TOTAL NET SALES</b>	\$216,675	\$236,516	-8	\$107,570	\$115,011	-6

\* 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>6/09</u>	<u>YTD</u> <u>6/08</u>	<u>% Incr</u> <u>(Decr)</u>	<u>2nd Qtr.</u> <u>2009</u>	<u>2nd Qtr.</u> <u>2008</u>	<u>% Incr</u> <u>(Decr)</u>
<b><u>LIFE</u></b>						
Direct Response	\$42,738	\$40,980	4	\$21,188	\$20,378	4
American Income Agency	45,288	39,745	14	23,394	20,508	14
LNL Exclusive Agency **	17,614	16,167	9	8,966	8,322	8
Military	3,194	4,296	-26	1,568	2,052	-24
UA Independent	202	207	-2	104	105	-1
Other Distribution	<u>1,866</u>	<u>2,373</u>	<u>-21</u>	<u>923</u>	<u>1,141</u>	<u>-19</u>
Total Life	110,902	103,768	7	56,143	52,506	7
<b><u>HEALTH</u></b>						
Direct Response	1,947	2,299	-15	1,036	1,144	-9
American Income Agency	5,977	5,813	3	3,163	3,025	5
LNL Exclusive Agency **	20,240	51,690	-61	8,998	23,823	-62
UA Independent	<u>13,547</u>	<u>18,486</u>	<u>-27</u>	<u>6,713</u>	<u>9,650</u>	<u>-30</u>
Total Health	41,711	78,288	-47	19,910	37,642	-47
<b>Part D</b>	12,543	8,396	49	6,856	4,317	59
<b>TOTAL FIRST YEAR COLLECTED PREMIUM</b>	\$165,156	\$190,452	-13	\$82,909	\$94,465	-12

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

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

	At June 30,	
	2009	2008
<b><u>Assets</u></b>		
Investments:		
Fixed maturities available for sale *	\$8,068,051	\$8,874,152
Equity securities available for sale	17,058	19,454
Mortgage loans	16,567	17,968
Real estate	1,861	8,329
Policy loans	368,957	350,045
Other long-term investments	38,396	55,466
Short-term investments	628,535	72,068
Total investments	9,139,425	9,397,482
Cash	339,608	18,224
Accrued investment income	172,356	171,022
Other receivables	228,636	95,548
Deferred acquisition costs	3,383,194	3,214,372
Value of insurance purchased	52,647	58,204
Property and equipment	51,150	50,434
Goodwill	423,519	423,519
Other assets	178,992	125,285
Separate account assets	738,198	1,189,655
Total assets	\$14,707,725	\$14,743,745
<b><u>Liabilities and Shareholders' Equity</u></b>		
Liabilities:		
Future policy benefits	\$8,816,625	\$8,269,660
Unearned and advance premium	86,601	93,525
Policy claims and other benefits payable	218,449	241,562
Other policy liabilities	89,815	90,337
Deferred and accrued income taxes	613,744	808,856
Short-term debt	337,035	124,402
Long-term debt	919,355	721,976
Other liabilities	264,921	230,188
Separate account liabilities	738,198	1,189,655
Total liabilities	12,084,743	11,770,161
Shareholders' equity:		
Preferred stock	0	0
Common stock	85,875	94,875
Additional paid-in-capital	446,783	484,665
Unrealized investment gains (losses), net of tax	-896,344	-429,679
Retained earnings	3,096,187	3,226,245
Treasury stock, at cost	-109,519	-402,522
Total shareholders' equity	2,622,982	2,973,584
Total liabilities and shareholders' equity	\$14,707,725	\$14,743,745
Diluted Basis:		
Shares outstanding	82,735	89,167
Book value per common share	\$31.70	\$33.35
Book value per common share excluding FAS 115	\$41.74	\$37.93
* Amortized cost of fixed maturities	\$9,429,880	\$9,543,749

**TORCHMARK CORPORATION**

Invested Assets

(Millions of \$)

June 30, 2009

**Investment Portfolio at 6/30/09**

	Amort. Cost	% of Total	Industry *
Fixed maturities	\$9,430	90%	77%
Equities	17	0%	3%
Mortgage loans	17	0%	11%
Investment real estate	2	0%	1%
Policy loans	369	4%	4%
Other long-term investments	38	0%	3%
Short-term investments	629	6%	1%
<b>Total</b>	<b>\$10,501</b>	<b>100%</b>	

\* Data available from the American Council of Life Insurance

**Fixed Maturities at 6/30/09**

Summary

	Amort. Cost	Market Value	Net Unreal. Gain (Loss)	Average Rating	% of Total Amort. Cost
Investment Grade	\$8,036	\$7,174	-\$862	BBB+	85%
Below Investment Grade	1,394	894	-500	B+	15%
<b>Total</b>	<b>\$9,430</b>	<b>\$8,068</b>	<b>-\$1,362</b>	<b>BBB</b>	

By Type

Corporates	\$7,424	\$6,556	-\$868	BBB+	79%
Redeemable preferred stock:					
U.S.	1,364	1,002	-362	BBB-	14%
Foreign	115	78	-37	A-	1%
Municipals	256	228	-29	AA	3%
Government-sponsored enterprises	81	75	-6	AAA	1%
Government & Agencies	37	39	2	AA+	0%
Residential mortgage-backed securities	22	23	2	AAA	0%
Commercial mortgage-backed securities	4	4	0	AAA	0%
CDO's	89	27	-62	CC-	1%
Other asset-backed securities	39	36	-3	A-	0%
<b>Total</b>	<b>\$9,430</b>	<b>\$8,068</b>	<b>-\$1,362</b>	<b>BBB</b>	

**TORCHMARK CORPORATION**

Invested Assets  
(Millions of \$)  
June 30, 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	\$1,765	\$1,300	-\$464	BBB	19%
Financial - Bank	1,608	1,271	-337	BBB+	17%
Financial - Financial Guarantor	106	36	-70	BB	1%
Financial - Mortgage Insurer	75	36	-39	CCC	1%
Financial - Insurance Brokers	50	41	-9	BBB-	1%
Financial - Other	267	185	-82	BBB+	3%
Utilities	1,258	1,248	-10	BBB+	13%
Energy	868	852	-16	BBB+	9%
Consumer, Non-cyclical	627	600	-28	BBB+	7%
Consumer, Cyclical	455	387	-68	BBB-	5%
Communications	523	471	-52	BBB	6%
Basic Materials	562	499	-63	BBB	6%
Transportation	293	287	-6	BBB	3%
Other Industrials	486	461	-25	BBB	5%
ABS - CDO	89	27	-62	CC-	1%
MBS	25	27	2	AAA	0%
Government	375	342	-33	AA	4%
<b>Total</b>	<b>\$9,430</b>	<b>\$8,068</b>	<b>-\$1,362</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	\$505	\$1,082	\$176	\$1,765
Financial - Bank	66	93	686	427	335	1,608
Financial - Financial Guarantor			22		84	106
Financial - Mortgage Insurer					75	75
Financial - Insurance Brokers				50		50
Financial - Other		98	16	114	39	267
Utilities			356	882	21	1,258
Energy		41	143	684		868
Consumer, Non-cyclical		5	239	300	83	627
Consumer, Cyclical		40	82	150	183	455
Communications			128	301	94	523
Basic Materials			117	338	107	562
Transportation		3	38	248	4	293
Other Industrials			167	217	103	486
ABS - CDO					89	89
MBS	25					25
Government	162	126	87			375
<b>Total - \$</b>	<b>\$253</b>	<b>\$406</b>	<b>\$2,584</b>	<b>\$4,792</b>	<b>\$1,394</b>	<b>\$9,430</b>
<b>- % of Total</b>	<b>3%</b>	<b>4%</b>	<b>27%</b>	<b>51%</b>	<b>15%</b>	<b>100%</b>

**TORCHMARK CORPORATION**

Invested Assets

(Millions of \$)

June 30, 2009

<u>Below Investment Grade Bonds by Sector</u>	<u>6/30/09</u>	<u>3/31/09</u>	<u>Increase / (Decrease)</u>
Financial - Life/Health/PC Insurance	\$176	\$166	\$10
Financial - Bank	335	219	116
Financial - Financial Guarantor	84	69	15
Financial - Mortgage Insurer	75	75	0
Financial - Insurance Brokers	0	0	0
Financial - Other	39	41	-2
Utilities	21	55	-34
Energy	0	0	0
Consumer, Non-cyclical	83	109	-26
Consumer, Cyclical	183	139	44
Communications	94	139	-45
Basic Materials	107	60	47
Transportation	4	11	-7
Other Industrials	103	103	0
ABS - CDO	89	79	10
MBS	0	0	0
Government	0	0	0
	<hr/>	<hr/>	<hr/>
Total	\$1,394	\$1,265	\$129

**Fixed Maturity Acquisitions:**

	<u>2Q'09</u>	<u>2Q'08</u>
Amount	\$246	\$241
Yield	7.0%	7.0%
Ratings	A-	A+
Average Life To:		
First Call	17.1	22.8
Maturity	17.6	32.5