

Torchmark Corporation

Medicare Part D

Reconciliation Between Torchmark's Operating Summary and GAAP

(\$'s in thousands)

| | Twelve months ended December 31, 2012 | | | |
|-------------------------|--|----------------|--------------------|-----------------|
| | <u>Operating</u> | <u>% of</u> | <u>(1)</u> | <u>GAAP</u> |
| | <u>Summary</u> | <u>Premium</u> | <u>Adjustments</u> | |
| Premium | \$317,764 | | -\$404 | \$317,360 |
| Policy Obligations | -266,957 | 84 | 404 | -266,553 |
| Net Amortization of DAC | -2,952 | 1 | | -2,952 |
| Non-def Acquisition Exp | -425 | 0 | | -425 |
| PBM fees | <u>-14,073</u> | 4 | | <u>-14,073</u> |
| Underwriting Margin | <u>\$33,357</u> | 10 | <u>\$0</u> | <u>\$33,357</u> |

- (1) The amount due The Centers of Medicare & Medicaid Services (CMS) for risk sharing related to claims paid by the company in 2012. This adjustment classifies the risk sharing payments as premium instead of claims in accordance with GAAP reporting standards.