

TORCHMARK CORPORATION
Impact of Family Heritage Life on 2012 Net Operating Income
(In thousands, except per share amounts)

	YTD 2012			Historical TMK
	Total	FHL	FHL Financing Cost	
UNDERWRITING INCOME				
Life:				
Premium	\$1,808,524	\$130		\$1,808,394
Net Policy Obligations	-688,128	-69		-688,059
Non-deferred Commissions and Amort.	-554,589	-39		-554,550
Non-deferred Acquisition Expenses	-56,331	-3		-56,328
Underwriting Margin	<u>509,476</u>	<u>19</u>		<u>509,457</u>
Health:				
Premium	730,019	30,119		699,900
Net Policy Obligations	-432,025	-17,910		-414,115
Non-deferred Commissions and Amort.	-122,737	-5,936		-116,801
Non-deferred Acquisition Expenses	-11,273	-824		-10,449
Underwriting Margin	<u>163,984</u>	<u>5,449</u>		<u>158,535</u>
Health - Part D Underwriting Margin	33,357	0		33,357
Annuity Underwriting Margin	<u>3,465</u>	<u>0</u>		<u>3,465</u>
Total Underwriting Margin	710,282	5,468		704,814
Other Income	1,898	0		1,898
Admin. Expenses	<u>-165,405</u>	<u>-1,585</u>		<u>-163,820</u>
Underwriting Income	546,775	3,883		542,892
EXCESS INVESTMENT INCOME				
Net Investment Income	715,918	3,228	-950	713,640
Required Interest on Net Policy Liabilities	-398,976	-2,224	0	-396,752
Interest on Debt	<u>-80,298</u>	<u>0</u>	<u>-434</u>	<u>-79,864</u>
Total Excess Investment Income	236,644	1,004	-1,384	237,024
Parent Company Expenses	<u>-8,222</u>	<u>0</u>	<u>0</u>	<u>-8,222</u>
Pre-Tax Operating Income	775,197	4,887	-1,384	771,694
Income Tax	<u>-254,507</u>	<u>-1,728</u>	<u>484</u>	<u>-253,263</u>
Net Operating Income Before Stock Comp. Exp	\$520,690	\$3,159	-\$900	\$518,431
Stock Compensation Expense, Net of Tax	<u>-14,043</u>	<u>0</u>	<u>0</u>	<u>-14,043</u>
Net Operating Income	\$506,647	\$3,159	-\$900	\$504,388
Per Share	\$5.18	\$0.03	-\$0.01	\$5.15
Average Diluted Shares Outstanding	97,898	97,898	97,898	97,898