

Contact: Mike Majors  
972-569-3627

• 3700 S. Stonebridge Drive  
McKinney, Texas 75070

• NYSE Symbol: TMK

---

## **TORCHMARK CORPORATION REPORTS FOURTH QUARTER 2013 RESULTS**

McKinney, TX, February 3, 2014—Torchmark Corporation (NYSE: TMK) reported today that for the quarter ended December 31, 2013, net income was \$1.56 per share, compared with \$1.58 per share for the year-ago quarter. Net operating income for the quarter was \$1.46 per share, compared with \$1.33 per share for the year-ago quarter.

Net income for the year ended December 31, 2013, was \$5.68 per share, compared with \$5.41 per share for the year-ago period. Net operating income for the year ended December 31, 2013, was \$5.70 per share, compared with \$5.18 per share for the prior year.

Reconciliations between net income and net operating income, GAAP ROE and management ROE, and GAAP book value and management book value are shown in the Financial Summary below.

### **HIGHLIGHTS:**

- Net operating income per share increased 10% over the year-ago quarter and for the year.
- Book value per share (excluding net unrealized gains on fixed maturities) increased 10% over the year-ago quarter.
- Direct Response net life sales were up 8% compared to the year-ago quarter.
- Medicare Part D net sales were up 15% compared to the year-ago quarter.
- 1.3 million shares of common stock were repurchased, bringing the total for the year to 5.5 million shares

## FINANCIAL SUMMARY

Net operating income, a non-GAAP financial measure, has long been consistently used by Torchmark's management to evaluate the operating performance of the Company, and is a measure commonly used in the life insurance industry. It differs from net income primarily because it excludes certain non-operating items such as realized investment gains and losses and certain nonrecurring items which are included in net income. Management believes that an analysis of net operating income is important in understanding the profitability and operating trends of the Company's business.

	Per Share		%	Per Share		%
	Quarter Ended			Quarter Ended		
	December 31,			December 31,		
	2013	2012	Chg.	2013	2012	Chg.
Insurance underwriting income*	\$1.66	\$1.47	13	\$152.0	\$140.1	8
Excess investment income*	0.60	0.58	3	54.8	55.8	(2)
Parent company expense	(0.02)	(0.02)		(1.8)	(2.0)	
Income tax	(0.73)	(0.67)	9	(67.2)	(63.9)	5
Stock option expense, net of tax	(0.04)	(0.03)		(4.1)	(3.3)	
<b>Net operating income</b>	<b>\$1.46</b>	<b>\$1.33</b>	<b>10</b>	<b>\$133.7</b>	<b>\$ 126.6</b>	<b>6</b>
Reconciling items, net of tax:						
Realized gains on investments	0.01	0.14		1.0	13.6	
Medicare Part D adjustment	0.09	0.13		8.2	12.3	
Family Heritage acquisition	0.00	(0.02)		0.0	(1.5)	
<b>Net income</b>	<b>\$1.56</b>	<b>\$1.58</b>		<b>\$142.8</b>	<b>\$151.0</b>	
<b>Weighted average diluted shares outstanding (000)</b>	<b>91,563</b>	<b>95,523</b>				

	Per Share		%	Per Share		%
	Year Ended			Year Ended		
	December 31,			December 31,		
	2013	2012	Chg.	2013	2012	Chg.
Insurance underwriting income*	\$6.49	\$5.59	16	\$604.1	\$546.8	10
Excess investment income*	2.35	2.42	(3)	218.8	236.6	(8)
Parent company expense	(0.09)	(0.08)		(8.5)	(8.2)	
Income tax	(2.87)	(2.60)	10	(267.1)	(254.5)	5
Stock option expense, net of tax	(0.18)	(0.14)		(16.7)	(14.0)	
<b>Net operating income</b>	<b>\$5.70</b>	<b>\$5.18</b>	<b>10</b>	<b>\$530.7</b>	<b>\$506.6</b>	<b>5</b>
Reconciling items, net of tax:						
Realized gains on investments	0.04	0.25		4.0	24.6	
Legal settlements	(0.06)	0.00		(5.9)	0.0	
Guaranty fund assessment	(0.01)	0.00		(0.8)	0.0	
Family Heritage acquisition	0.01	(0.02)		0.5	(1.9)	
<b>Net income</b>	<b>\$5.68</b>	<b>\$5.41</b>		<b>\$528.5</b>	<b>\$529.3</b>	
<b>Weighted average diluted shares outstanding (000)</b>	<b>93,043</b>	<b>97,898</b>				

\* See definitions in the following sections and in the Torchmark 2012 SEC Form 10-K

Note: Tables in this news release may not foot due to rounding.

Financial Summary, continued  
Management vs. GAAP Measures  
(dollars in millions, except per share data)

	Management (excluding the Revaluation Adj. **)		Revaluation Adjustment**		GAAP	
	at December 31,		at December 31,		at December 31,	
	2013	2012	2013	2012	2013	2012
2013 Net income as a ROE***					13.2%	13.0%
2013 Net operating income as a ROE	15.5%	15.5%				
Shareholders' equity	\$3,529	\$3,353	\$247	\$1,009	\$3,776	\$4,362
Book value per share	\$38.77	\$35.24	\$2.72	\$10.61	\$41.49	\$45.85

\*\* Accounting rules (ASC-820, which includes guidance formerly set forth in FAS 115) require a revaluation adjustment of fixed maturities available for sale to fair value. Without the revaluation adjustment, these assets would be reported at amortized cost.

\*\*\*ROE is calculated using average shareholders' equity for the measurement period.

#### INSURANCE OPERATIONS – comparing the fourth quarter 2013 with fourth quarter 2012:

Life insurance accounted for 69% of the Company's insurance underwriting margin for the quarter and 62% of total premium revenue.

Health insurance, excluding Medicare Part D, accounted for 25% of Torchmark's insurance underwriting margin for the quarter and 28% of total premium revenue. Medicare Part D accounted for 5% of insurance underwriting margin and 10% of total premium revenue.

Net sales of life insurance were flat, while health sales, excluding Medicare Part D, increased 13%, primarily due to the addition of Family Heritage.

#### Insurance Premium Revenue

	Insurance Premium Revenue (dollars in millions)		
	Quarter Ended Dec. 31, 2013	Quarter Ended Dec. 31, 2012	% Chg.
Life insurance	\$468.5	\$452.0	4
Health insurance - excluding Medicare Part D	214.9	203.0	6
Health - Medicare Part D	73.2	84.0	(13)
Annuity	0.1	0.1	
<b>Total</b>	<b>\$756.7</b>	<b>\$739.1</b>	<b>2</b>

## Insurance Underwriting Income

Insurance underwriting margin is management's measure of profitability of its life, health and annuity segments' underwriting performance, and consists of premiums less policy obligations, commissions and other acquisition expenses.

Insurance underwriting income is the sum of the insurance underwriting margins of the life, health and annuity segments, plus other income, less insurance administrative expenses. It excludes the investment segment, parent company expense and income taxes.

Insurance Underwriting Income (dollars in millions, except per share data)					
	Quarter Ended Dec. 31, 2013	% of Premium	Quarter Ended Dec. 31, 2012	% of Premium	% Chg.
Insurance underwriting margins:					
Life	\$137.2	29	\$128.9	29	6
Health	49.4	23	44.5	22	11
Health - Medicare Part D	10.0	14	10.0	12	0
Annuity	0.9		0.8		
	197.5		184.1		7
Other income	0.2		0.4		
Administrative expenses	(45.8)		(44.5)		3
Insurance underwriting income	\$152.0		\$140.1		8
Per share	\$1.66		\$1.47		13

## Insurance Results by Distribution Channels

Total premium, underwriting margins, first-year collected premium and net sales by all distribution channels are shown at [www.torchmarkcorp.com](http://www.torchmarkcorp.com) on the Investor Relations page at Financial Reports.

**American Income Agency** was Torchmark's leading contributor to total underwriting margin (\$69 million), on premium revenue of \$202 million. Life premiums of \$182 million were up 6% and life insurance underwriting margin of \$59 million was up 4%. As a percentage of life premium, life underwriting margin was 32%, down from 33% a year ago, but the highest of the major life distribution channels at Torchmark. Producing agents grew to 5,302, up 2% from a year ago, and down 3% during the quarter. Net life sales were \$38 million, down 5%.

**Direct Response** was Torchmark's second leading contributor to total underwriting margin (\$43 million), on premium revenue of \$175 million. Life premiums of \$162 million were up 6% and the life underwriting margin was \$41 million, up 19%. As a percentage of life premium, life underwriting margin was 25%, up from 22% a year ago. Net life sales were \$34 million, up 8%.

**LNL Agency** was Torchmark's third leading contributor to total underwriting margin (\$32 million), on premium revenue of \$126 million. Life premiums of \$68 million were down 2% and life underwriting margin of \$19 million was down 6%. As a percentage of life premiums, life underwriting margin was 28%, down from 29% a year ago. Net life sales for the LNL Agency were \$8 million, down 4%.

LNL Agency was Torchmark's second leading contributor to health underwriting margin (\$13 million), on health premium of \$58 million. Health underwriting margin as a percentage of health premium was 22%, up from 21%. Net health sales for the LNL Agency were \$4 million, up 2%.

LNL Agency's producing agent count grew to 1,430, up 1% from a year ago, and up 8% during the quarter.

**Family Heritage Agency** was acquired by Torchmark on November 1, 2012. FHL contributed health underwriting margin of \$10 million on health premium of \$49 million and health underwriting margin as a percentage of health premium was 20%. Net health sales were \$11 million. Producing agent count declined during the quarter to 695 from 717.

**UA Independent Agency** was Torchmark's leading contributor to health underwriting margin (\$15 million), on health premium of \$75 million. Health underwriting margin as a percentage of premium was 20%, same as the year-ago quarter. Net health sales were \$22 million, up 5%.

**Medicare Part D Prescription Drug Plan** is distributed by Direct Response and the UA agency. Fourth quarter 2013 premium revenue was \$73 million, down 13%. Underwriting margin for fourth quarter 2013 was \$10 million, same as the year-ago quarter. Net sales were \$53 million, up 15%.

For GAAP reporting, Medicare Part D premiums are recognized evenly throughout the year when they become due, and benefit costs are recognized when the costs are incurred. Due to the design of the product, premiums are evenly distributed throughout the year, but benefit costs are higher earlier in the year. As a result, under GAAP, benefit costs can exceed premiums in the first part of the year but be less than premiums during the remainder of the year. For net operating income purposes, Torchmark defers excess benefits incurred in earlier interim periods to later periods in order to more closely match the benefit cost with the associated revenue. For the full year, the total premiums and benefits are the same under this alternative method as they are under GAAP. The Company reports this difference between GAAP and management's non-GAAP disclosures, net of tax, as a reconciling item for the interim periods in the Financial Summary included in this release. A chart reconciling the Company's non-GAAP financial presentation to a GAAP presentation may be viewed on the Company's website at [www.torchmarkcorp.com](http://www.torchmarkcorp.com) on the Investor Relations page at Financial Reports.

**Administrative Expenses** were \$46 million, up 3% from the year-ago quarter. The ratio of administrative expenses to premiums was 6.1% compared to 6.0% in the year-ago quarter.

## INVESTMENTS

### Excess Investment Income – comparing the fourth quarter 2013 with the fourth quarter 2012:

Management uses excess investment income as the measure to evaluate the performance of the investment segment. It is net investment income reduced by required interest. Required interest includes interest credited to net policy liabilities and interest on debt.

	Quarter Ended December 31, (dollars in millions, except per share data)		
	2013	2012	% Chg.
Net investment income	\$184.6	\$180.6	2
Required interest:			
Interest on net policy liabilities	(110.8)	(103.5)	7
Interest on debt	(19.1)	(21.3)	(11)
Total required interest	(129.9)	(124.8)	4
Excess investment income	\$54.8	\$55.8	(2)
Per share	\$0.60	\$0.58	3

Net investment income increased 2% while average invested assets increased 7%. This is due primarily to lower new money yields and calls of hybrid bank securities early in 2013. Required interest on net policy liabilities increased 7%, while the average liabilities increased 8%. The weighted average discount rate for the net policy liabilities declined to 5.5% from 5.6% a year ago.

## Investment Portfolio

The composition of the investment portfolio at December 31, 2013 is as follows:

	<b>Invested Assets</b> (dollars in millions)	
	\$	% of Total
Fixed maturities (at amortized cost)	\$12,489	96
Equities	1	0
Policy loans	449	3
Other long-term investments	13	0
Short-term investments	77	1
<b>Total</b>	<b>\$13,029</b>	<b>100%</b>

Fixed maturities at amortized cost by asset class are as follows:

	<b>Fixed Maturities</b> (dollars in millions)		
	Investment Grade	Below Investment Grade	Total
Corporate bonds	\$9,777	\$357	\$10,134
Redeemable preferred stock:			
U.S.	299	144	443
Foreign	60		60
Municipal	1,278		1,278
Government-sponsored enterprises	347		347
Government and agencies	122		122
Collateralized debt obligations		66	66
Residential mortgage-backed securities	8		8
Other asset-backed securities	31		31
<b>Total</b>	<b>\$11,923</b>	<b>\$566</b>	<b>\$12,489</b>

The market value of Torchmark's fixed maturity portfolio was \$12.9 billion; \$390 million higher than amortized cost of \$12.5 billion. The \$390 million of net unrealized gains was approximately \$99 million lower than it was at September 30, 2013. Net unrealized gains were comprised of gross unrealized gains of \$801 million and gross unrealized losses of \$411 million.

The investment portfolio contains no securities backed by sub-prime mortgages. Torchmark has no counterparty risk as it is not a party to any credit default swaps or other derivatives contracts and does not participate in securities lending.

At amortized cost, 95.5% of fixed maturities (96% at market value) were rated "investment grade."

The fixed maturity portfolio earned an annual effective yield of 5.90% during the fourth quarter of 2013, compared to 6.20% in the year-ago quarter, reflecting the effect of lower new money yields and calls of bank hybrid securities early in 2013.

Acquisitions of fixed maturity investments during the quarter totaled \$319 million at cost. Comparable information for acquisitions of fixed maturity investments is as follows:

	Quarter Ended	
	December 31,	
	2013	2012
Average annual effective yield	5.4%	4.0%
Average rating	BBB+	BBB+
Average life (in years) to:		
First call	24.9	27.0
Maturity	25.2	24.4

### Realized Capital Gains on Investments

Torchmark had a net realized capital gain during the quarter of \$1.5 million (\$1.0 million after tax) resulting primarily from dispositions of fixed maturities. For the year, net realized capital gains were \$8.0 million.

### SHARE REPURCHASE

During the quarter, the Company repurchased 1.3 million shares of Torchmark Corporation common stock at a total cost of \$94.9 million at an average share price of \$74.45. For the year, the Company repurchased 5.5 million shares at an average share price of \$65.21.

### LIQUIDITY/CAPITAL:

Torchmark's operations consist primarily of writing basic protection life and supplemental health insurance policies which generate strong and stable cash flows.

Capital at the insurance companies is sufficient to support current operations. In addition, the parent company had \$60 million of liquid assets at December 31, 2013.

### EARNINGS GUIDANCE FOR THE YEAR ENDING DECEMBER 31, 2014:

Torchmark projects that for the year ending December 31, 2014, net operating income per share will be in a range of \$6.05 to \$6.35.

### OTHER FINANCIAL INFORMATION:

More detailed financial information including various GAAP and Non-GAAP ratios and financial measurements are located at [www.torchmarkcorp.com](http://www.torchmarkcorp.com) on the Investor Relations page under "Financial Reports and Other Financial Information."

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS:

This press release may contain forward-looking statements within the meaning of the federal securities laws. These prospective statements reflect management's current expectations, but are not guarantees of future performance. Accordingly, please refer to Torchmark's cautionary statement regarding forward-looking statements, and the business environment in which the Company operates, contained in the Company's Form 10-K for the year ended December 31, 2012, and any subsequent Forms 10-Q on file with the Securities and Exchange Commission and on the Company's website at [www.torchmarkcorp.com](http://www.torchmarkcorp.com) on the Investor Relations page. Torchmark specifically disclaims any obligation to update or revise any forward-looking statement because of new information, future developments or otherwise.

## **EARNINGS RELEASE CONFERENCE CALL WEBCAST:**

Torchmark will provide a live audio webcast of its fourth quarter 2013 earnings release conference call with financial analysts at 11:30 a.m. (Eastern) tomorrow, February 4, 2014. Access to the live webcast and replay will be available at [www.torchmarkcorp.com](http://www.torchmarkcorp.com) on the Investor Relations page, at the Conference Calls on the Web icon. Immediately following this press release, supplemental financial reports will be available before the conference call on the Investor Relations page menu of the Torchmark website at "Financial Reports and Other Financial Information."

For additional information contact:

Mike Majors  
Vice President, Investor Relations  
Torchmark Corporation  
3700 South Stonebridge Dr.  
P. O. Box 8080  
McKinney, Texas 75070-8080  
Phone: 972/569-3627  
[tmkir@torchmarkcorp.com](mailto:tmkir@torchmarkcorp.com)  
[Website: www.torchmarkcorp.com](http://www.torchmarkcorp.com)