

# TORCHMARK CORPORATION

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

3 Months Ended			1Q	4Q	3Q	2Q	1Q
3/15	3/14		2015	2014	2014	2014	2014
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$513,342	\$489,058	Premium	\$513,342	\$493,566	\$491,724	\$491,952	\$489,058
-203,516	-189,665	Net Policy Obligations	-203,516	-194,482	-189,727	-189,318	-189,665
-153,696	-146,769	Non-deferred Commissions and Amortization	-153,696	-147,807	-148,195	-148,123	-146,769
-14,727	-12,005	Non-deferred Acquisition Expense	-14,727	-15,376	-14,549	-13,795	-12,005
<u>141,403</u>	<u>140,619</u>	Underwriting Margin	<u>141,403</u>	<u>135,901</u>	<u>139,253</u>	<u>140,716</u>	<u>140,619</u>
		Health:					
228,673	219,435	Premium	228,673	224,682	210,225	215,098	219,435
-131,146	-126,154	Net Policy Obligations	-131,146	-128,827	-118,207	-122,228	-126,154
-41,228	-39,790	Non-deferred Commissions and Amortization	-41,228	-39,979	-37,623	-38,387	-39,790
-4,722	-4,034	Non-deferred Acquisition Expense	-4,722	-5,028	-5,169	-4,695	-4,034
<u>51,577</u>	<u>49,457</u>	Underwriting Margin	<u>51,577</u>	<u>50,848</u>	<u>49,226</u>	<u>49,788</u>	<u>49,457</u>
5,474	9,566	Health - Part D Underwriting Margin	5,474	4,532	4,523	8,645	9,566
<u>1,093</u>	<u>1,045</u>	Annuity Underwriting Margin	<u>1,093</u>	<u>1,117</u>	<u>1,085</u>	<u>1,065</u>	<u>1,045</u>
199,547	200,687	Total Underwriting Margin	199,547	192,398	194,087	200,214	200,687
722	544	Other Income	722	364	724	722	544
-47,200	-44,211	Admin. Expenses	-47,200	-45,037	-45,345	-45,362	-44,211
153,069	157,020	Underwriting Income	153,069	147,725	149,466	155,574	157,020
		<b>EXCESS INVESTMENT INCOME</b>					
191,596	188,051	Net Investment Income	191,596	190,717	189,588	189,930	188,051
-117,396	-112,082	Required Interest on Net Policy Liabilities	-117,396	-116,115	-115,226	-113,646	-112,082
-19,060	-19,049	Interest on Debt	-19,060	-19,007	-19,033	-19,037	-19,049
55,140	56,920	Total Excess Investment Income	55,140	55,595	55,329	57,247	56,920
-2,173	-1,743	Parent Company Expenses	-2,173	-1,875	-2,239	-2,302	-1,743
206,036	212,197	Pre-Tax Operating Income	206,036	201,445	202,556	210,519	212,197
-67,745	-69,813	Income Tax	-67,745	-66,202	-66,567	-68,735	-69,813
\$138,291	\$142,384	Net Operating Income Before Stock Compensation Expense	\$138,291	\$135,243	\$135,989	\$141,784	\$142,384
-4,705	-5,531	Stock Compensation Expense, Net of Tax	-4,705	-4,540	-5,081	-5,780	-5,531
<b>\$133,586</b>	<b>\$136,853</b>	<b>Net Operating Income</b>	<b>\$133,586</b>	<b>\$130,703</b>	<b>\$130,908</b>	<b>\$136,004</b>	<b>\$136,853</b>
<b>\$1.04</b>	<b>\$1.01</b>	<b>Per Share</b>	<b>\$1.04</b>	<b>\$1.00</b>	<b>\$0.99</b>	<b>\$1.02</b>	<b>\$1.01</b>
128,587	135,036	Average Diluted Shares Outstanding	128,587	130,229	131,877	133,315	135,036
		Reconciling items, net of tax:					
\$77	\$10,802	Capital Gain (Loss) - Investments	\$77	\$5,093	-\$964	\$375	\$10,802
-12,015	-13,179	Part D Adjustment	-12,015	10,952	5,797	-3,570	-13,179
0	0	Administrative Settlements	0	0	-3,329	-1,987	0
0	-1,620	Legal Settlement Expense	0	0	0	101	-1,620
<u>\$121,648</u>	<u>\$132,856</u>	<b>Net Income</b>	<u>\$121,648</u>	<u>\$146,748</u>	<u>\$132,412</u>	<u>\$130,923</u>	<u>\$132,856</u>

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				HEALTH - PART D			ANNUITY		
	1Q 2015	%	1Q 2014	%	1Q 2015	%	1Q 2014	%	1Q 2015	%	1Q 2014	%	1Q 2015	1Q 2014
<b>LNL Exclusive Agency</b>														
Premium	\$67,803		\$68,778		\$53,980		\$58,617							
Net Policy Obligations	26,546	39	27,245	40	28,766	53	32,089	55						
Non Def Comm. & Amort.	20,074	30	20,478	30	11,841	22	12,577	21						
Non Def Acq. Expenses	3,700	5	3,650	5	1,151	2	1,159	2						
Underwriting Margin	17,483	26	17,405	25	12,222	23	12,792	22						
<b>Direct Response</b>														
Premium	187,407		177,872		18,060		13,907							
Net Policy Obligations	92,079	49	83,415	47	14,251	79	10,806	78						
Non Def Comm. & Amort.	48,910	26	47,222	27	839	5	739	5						
Non Def Acq. Expenses	3,891	2	2,622	1	11	0	0	0						
Underwriting Margin	42,527	23	44,613	25	2,959	16	2,362	17						
<b>American Income Agency</b>														
Premium	202,041		185,891		19,912		19,287							
Net Policy Obligations	66,145	33	59,311	32	6,069	30	6,452	33						
Non Def Comm. & Amort.	67,006	33	61,152	33	4,119	21	4,028	21						
Non Def Acq. Expenses	6,617	3	5,375	3	341	2	259	1						
Underwriting Margin	62,273	31	60,053	32	9,383	47	8,548	44						
<b>Family Heritage Life</b>														
Premium	512		303		53,549		49,468							
Net Policy Obligations	370	72	198	65	29,381	55	27,125	55						
Non Def Comm. & Amort.	64	13	59	19	11,548	22	10,556	21						
Non Def Acq. Expenses	13	3	8	3	1,406	3	1,214	2						
Underwriting Margin	65	13	38	13	11,214	21	10,573	21						
<b>Part D</b>														
Premium									\$79,347		\$83,033			
Net Policy Obligations									66,893	84	66,261	80		
Net Amortization of DAC									817	1	880	1		
Non Def Acq. Expenses									121	0	99	0		
Fees to PBM									6,042	8	6,227	7		
Underwriting Margin									5,474	7	9,566	12		
<b>Other Distribution</b>														
Premium	55,579		56,214		83,172		78,156						\$41	\$99
Net Policy Obligations	18,376	33	19,496	35	52,679	63	49,682	64					-3,324	-3,168
Non Def Comm. & Amort.	17,642	32	17,858	32	12,881	15	11,890	15					2,272	2,222
Non Def Acq. Expenses	506	1	350	1	1,813	2	1,402	2					0	0
Underwriting Margin	19,055	34	18,510	33	15,799	19	15,182	19					1,093	1,045
<b>Totals:</b>														
Premium	\$513,342		\$489,058		\$228,673		\$219,435		\$79,347		\$83,033		\$41	\$99
Net Policy Obligations	203,516	40	189,665	39	131,146	57	126,154	57	66,893	84	66,261	80	-3,324	-3,168
Non Def Comm. & Amort.	153,696	30	146,769	30	41,228	18	39,790	18	6,859	9	7,107	9	2,272	2,222
Non Def Acq. Expenses	14,727	3	12,005	2	4,722	2	4,034	2	121	0	99	0	0	0
Underwriting Margin	\$141,403	28	\$140,619	29	\$51,577	23	\$49,457	23	\$5,474	7	\$9,566	12	\$1,093	\$1,045
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					\$199,547		\$200,687							
Other Income					722		544							
Administrative & Other Expenses					-47,200		-44,211							
<b>INSURANCE UNDERWRITING INCOME</b>					<u>\$153,069</u>		<u>\$157,020</u>							

## TORCHMARK CORPORATION

Net Sales and First Year Collected Premium (Unaudited)  
(In thousands)

### NET SALES \*

	<u>1st Qtr. 2015</u>	<u>1st Qtr. 2014</u>	<u>% Incr (Decr)</u>
<b><u>LIFE</u></b>			
Direct Response	\$44,813	\$40,439	11
American Income Agency	47,144	38,125	24
LNL Exclusive Agency	8,546	7,380	16
Other Distribution	3,392	2,835	20
Total Life	<u>103,895</u>	<u>88,779</u>	<u>17</u>
<b><u>HEALTH</u></b>			
Direct Response	1,809	2,018	-10
American Income Agency	2,567	1,764	46
LNL Exclusive Agency	4,076	3,785	8
UA Independent	12,270	14,311	-14
Family Heritage	11,675	9,865	18
Total Health	<u>32,397</u>	<u>31,743</u>	<u>2</u>
<b>Part D</b>	21,344	31,144	-31
<b>TOTAL NET SALES</b>	<b>\$157,636</b>	<b>\$151,666</b>	<b>4</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>1st Qtr. 2015</u>	<u>1st Qtr. 2014</u>	<u>% Incr (Decr)</u>
<b><u>LIFE</u></b>			
Direct Response	\$27,080	\$25,303	7
American Income Agency	37,049	31,528	18
LNL Exclusive Agency	6,550	6,353	3
Other Distribution	2,933	2,330	26
Total Life	<u>73,612</u>	<u>65,514</u>	<u>12</u>
<b><u>HEALTH</u></b>			
Direct Response	5,168	982	426
American Income Agency	2,616	1,927	36
LNL Exclusive Agency	3,502	3,185	10
UA Independent	15,167	9,956	52
Family Heritage	9,507	8,629	10
Total Health	<u>35,960</u>	<u>24,679</u>	<u>46</u>
<b>Part D</b>	34,014	18,946	80
<b>TOTAL FIRST YEAR COLLECTED PREMIUM</b>	<b>\$143,586</b>	<b>\$109,139</b>	<b>32</b>

**TORCHMARK CORPORATION**  
**CONSOLIDATED BALANCE SHEET (UNAUDITED)**  
(In thousands, except per share amounts)

	At March 31,	
	2015	2014
<b>Assets</b>		
Investments:		
Fixed maturities available for sale *	\$14,894,514	\$13,618,451
Equity securities available for sale	1,474	1,309
Real estate	203	203
Policy loans	474,717	451,972
Other long-term investments	9,803	12,438
Short-term investments	91,888	109,065
Total investments	15,472,599	14,193,438
Cash	3,086	40,016
Accrued investment income	213,864	209,801
Other receivables	565,965	372,617
Deferred acquisition costs **	3,510,564	3,363,952
Property and equipment	59,180	54,752
Goodwill	441,591	441,591
Other assets	429,658	387,810
Total assets	\$20,696,507	\$19,063,977
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Future policy benefits	\$11,871,991	\$11,376,058
Unearned and advance premium	74,729	77,911
Policy claims and other benefits payable	222,668	231,269
Other policy liabilities	95,418	95,906
Current and deferred income taxes	1,919,471	1,528,582
Short-term debt	258,921	264,918
Long-term debt	992,463	991,176
Other liabilities	377,218	309,436
Total liabilities	15,812,879	14,875,256
Shareholders' equity:		
Preferred stock	0	0
Common stock	134,218	151,218
Additional paid-in-capital	462,953	473,961
Unrealized investment gains (losses), net of tax	1,165,641	606,058
Retained earnings	3,472,042	3,609,071
Treasury stock, at cost	-351,226	-651,587
Total shareholders' equity	4,883,628	4,188,721
Total liabilities and shareholders' equity	\$20,696,507	\$19,063,977
Diluted Basis:		
Shares outstanding	127,935	134,115
Book value per common share	\$38.17	\$31.23
Book value per common share excluding the revaluation of fixed maturities available for sale to fair value required by accounting rule	\$28.44	\$26.46
* Amortized cost of fixed maturities	\$12,962,830	\$12,618,368

\*\* Includes Value of insurance purchased which was previously shown as a separate line item.

**TORCHMARK CORPORATION**

Invested Assets

(Millions of \$)

March 31, 2015

**Investment Portfolio at 3/31/15**

	Amort. Cost	% of Total	Industry *
Fixed maturities	\$12,963	96%	78%
Equities	1	0%	2%
Mortgage loans	0	0%	9%
Policy loans	475	4%	4%
Other long-term investments	9	0%	4%
Short-term investments	92	0%	3%
<b>Total</b>	<b>\$13,540</b>	<b>100%</b>	

\* Data available from the American Council of Life Insurance

**Fixed Maturities at 3/31/15**

Summary

	Amort. Cost	Market Value	Net Unreal. Gain (Loss)	Average Rating	% of Total Amort. Cost
Investment Grade	\$12,358	\$14,290	\$1,932	A-	95%
Below Investment Grade	604	604	0	B+	5%
<b>Total</b>	<b>\$12,963</b>	<b>\$14,895</b>	<b>\$1,932</b>	<b>A-</b>	

By Type

Corporates	\$10,704	\$12,367	\$1,663	BBB+	83%
Redeemable preferred stock:					
U.S.	439	493	54	BBB-	3%
Foreign	55	62	7	BBB-	0%
Municipals	1,281	1,464	183	AA	10%
Government-sponsored enterprises	294	306	13	AAA	2%
Government & Agencies	102	104	2	AAA	1%
Residential mortgage-backed securities	5	6	0	AAA	0%
CDO's	66	75	9	CC-	1%
Other asset-backed securities	17	18	1	BBB+	0%
<b>Total</b>	<b>\$12,963</b>	<b>\$14,895</b>	<b>\$1,932</b>	<b>A-</b>	

**TORCHMARK CORPORATION**

Invested Assets  
(Millions of \$)  
March 31, 2015

<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	\$1,838	\$2,168	\$330	BBB+	14%
Financial - Bank	634	733	99	BBB+	5%
Financial - Financial Guarantor	16	18	2	BBB+	0%
Financial - Insurance Brokers	67	78	11	BBB	1%
Financial - Other	527	604	78	BBB+	4%
Utilities	2,176	2,611	435	A-	17%
Energy	1,547	1,719	173	BBB	12%
Consumer, Non-cyclical	947	1,091	144	BBB+	7%
Consumer, Cyclical	409	466	57	BBB	3%
Communications	544	624	80	BBB+	4%
Basic Materials	1,036	1,136	100	BBB+	8%
Transportation	555	645	90	BBB+	4%
Technology	64	74	9	BBB+	0%
Other Industrials	854	973	119	BBB+	7%
ABS - CDO	66	75	9	CC-	1%
MBS	5	6	0	AAA	0%
Government	1,676	1,873	198	AA+	13%
<b>Total</b>	<b>\$12,963</b>	<b>\$14,895</b>	<b>\$1,932</b>	<b>A-</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		\$160	\$465	\$1,155	\$59	\$1,838
Financial - Bank		107	238	186	103	634
Financial - Financial Guarantor				16		16
Financial - Insurance Brokers				67		67
Financial - Other		113	83	256	75	527
Utilities		25	1,273	869	10	2,176
Energy		44	263	1,177	62	1,547
Consumer, Non-cyclical	11	32	434	438	33	947
Consumer, Cyclical			53	290	67	409
Communications			88	411	45	544
Basic Materials		17	232	759	29	1,036
Transportation		5	134	407	10	555
Technology			39	25		64
Other Industrials			306	501	48	854
ABS - CDO					66	66
MBS	5					5
Government	669	819	187	0	1	1,676
<b>Total \$</b>	<b>\$685</b>	<b>\$1,322</b>	<b>\$3,795</b>	<b>\$6,557</b>	<b>\$604</b>	<b>\$12,963</b>
<b>% of Total</b>	<b>5%</b>	<b>10%</b>	<b>29%</b>	<b>51%</b>	<b>5%</b>	<b>100%</b>

**TORCHMARK CORPORATION**

Invested Assets

(Millions of \$)

March 31, 2015

<u>Below Investment Grade Bonds by Sector</u>	<u>3/31/15</u>	<u>12/31/14</u>	<u>Increase / (Decrease)</u>
Financial - Life/Health/PC Insurance	\$59	\$59	\$0
Financial - Bank	103	103	0
Financial - Financial Guarantor	0	0	0
Financial - Mortgage Insurer	0	0	0
Financial - Insurance Brokers	0	0	0
Financial - Other	75	75	0
Utilities	10	10	0
Energy	62	16	46
Consumer, Non-cyclical	33	33	0
Consumer, Cyclical	67	67	0
Communications	45	45	0
Basic Materials	29	29	0
Transportation	10	10	0
Technology	0	0	0
Other Industrials	48	48	0
ABS - CDO	66	68	-2
MBS	0	0	0
Government	<u>1</u>	<u>1</u>	<u>0</u>
 Total	 \$604	 \$561	 \$44

<u>Below Investment Grade Bonds By SVO Class (Statutory)</u>	<u>3/31/15</u>	<u>12/31/14</u>	<u>Increase / (Decrease)</u>
Asset Class 3	\$451	\$410	\$41
Asset Class 4	160	159	1
Asset Class 5	102	102	0
Asset Class 6 (at market value)	<u>62</u>	<u>52</u>	<u>10</u>
	\$775	\$723	\$52

**Fixed Maturity Acquisitions:**

	<u>1Q'15</u>	<u>1Q'14</u>
Amount	\$292	\$158
Yield	4.5%	5.4%
Ratings	BBB+	BBB+
Average Life To:		
Next Call	28.0	25.2
Maturity	28.8	25.3