

TORCHMARK CORPORATION
Operating Summary
(Unaudited)
(Amounts in thousands, except per share data)

Nine Months Ended September 30,			Q3	Q2	Q1	Q4	Q3
2018	2017		2018	2018	2018	2017	2017
		UNDERWRITING INCOME					
		Life:					
\$ 1,806,384	\$ 1,725,896	Premium	\$ 605,547	\$ 602,534	\$ 598,303	\$ 580,651	\$ 576,223
(722,243)	(713,950)	Net Policy Obligations	(236,643)	(241,233)	(244,367)	(228,645)	(233,583)
(545,476)	(518,168)	Non-deferred Commissions and Amortization	(182,343)	(182,108)	(181,025)	(175,525)	(173,056)
(54,071)	(49,614)	Non-deferred Acquisition Expense	(17,965)	(18,016)	(18,090)	(16,308)	(16,853)
484,594	444,164	Underwriting Margin	168,596	161,177	154,821	160,173	152,731
		Health:					
758,439	730,557	Premium	255,201	251,440	251,798	245,816	242,991
(421,559)	(412,245)	Net Policy Obligations	(141,609)	(139,735)	(140,215)	(138,603)	(136,157)
(141,306)	(137,086)	Non-deferred Commissions and Amortization	(47,474)	(46,151)	(47,681)	(46,701)	(45,129)
(17,735)	(16,844)	Non-deferred Acquisition Expense	(5,865)	(6,016)	(5,854)	(5,386)	(5,956)
177,839	164,382	Underwriting Margin	60,253	59,538	58,048	55,126	55,749
7,716	7,866	Annuity Underwriting Margin	2,564	2,566	2,586	2,696	2,649
670,149	616,412	Total Underwriting Margin	231,413	223,281	215,455	217,995	211,129
1,180	1,239	Other Income	416	441	323	31	361
(166,560)	(155,751)	Admin. Expenses	(55,812)	(55,276)	(55,472)	(54,839)	(52,426)
504,769	461,900	Underwriting Income	176,017	168,446	160,306	163,187	159,064
		EXCESS INVESTMENT INCOME					
658,279	634,930	Net Investment Income	221,627	218,568	218,084	212,955	213,872
(408,399)	(390,347)	Required Interest on Net Policy Liabilities	(137,666)	(136,208)	(134,525)	(133,643)	(131,966)
(66,466)	(62,825)	Interest on Debt	(22,433)	(22,411)	(21,622)	(21,707)	(20,970)
183,414	181,758	Total Excess Investment Income	61,528	59,949	61,937	57,605	60,936
(7,806)	(7,228)	Parent Company Expenses	(2,667)	(2,847)	(2,292)	(2,403)	(2,330)
680,377	636,430	Pre-Tax Operating Income	234,878	225,548	219,951	218,389	217,670
(133,605)	(207,899)	Income Tax	(46,531)	(44,251)	(42,823)	(70,913)	(71,308)
546,772	428,531	Net Operating Income Before Stock Compensation Expense	188,347	181,297	177,128	147,476	146,362
(16,820)	(1,613)	Stock Compensation Expense, Net of Tax	(5,625)	(6,237)	(4,958)	(713)	(297)
\$ 529,952	\$ 426,918	Net Operating Income	\$ 182,722	\$ 175,060	\$ 172,170	\$ 146,763	\$ 146,065
\$ 4.58	\$ 3.58	Per Share	\$ 1.59	\$ 1.51	\$ 1.47	\$ 1.24	\$ 1.23
115,785	119,314	Average Diluted Shares Outstanding	114,974	115,651	116,750	117,964	118,443
		Reconciling items, net of tax:					
\$ 11,689	\$ 6,235	Capital Gain (Loss) - Investments	\$ 815	\$ 9,333	\$ 1,541	\$ 11,355	\$ 8,186
(55)	(3,739)	Part D Adjustments - Discontinued Operations	24	32	(111)	(30)	(12)
(3,590)	(1,361)	Administrative Settlements	(3,590)	—	—	(4,267)	—
(1,247)	—	Non-Operating Fees	(1,247)	—	—	(187)	—
—	(905)	Guaranty Fund Assessments	—	—	—	(266)	(905)
—	—	Tax reform adjustment	—	—	—	873,978	—
\$ 536,749	\$ 427,148	Net Income	\$ 178,724	\$ 184,425	\$ 173,600	\$ 1,027,346	\$ 153,334
\$ 4.64	\$ 3.58	Per Share	\$ 1.55	\$ 1.59	\$ 1.49	\$ 8.71	\$ 1.29

TORCHMARK CORPORATION

Insurance Operations

(Unaudited)

(Dollar amounts in thousands)

Three Months Ended September 30,

	LIFE		HEALTH				ANNUITY			
	2018	%	2017	%	2018	%	2017	%	2018	2017
LNL Exclusive Agency										
Premium	\$ 70,207		\$ 68,699		\$ 47,561		\$ 48,535			
Net Policy Obligations	26,808	38	24,516	36	23,964	50	25,049	52		
Non Def Comm. & Amort.	22,716	32	21,543	31	10,640	22	10,675	22		
Non Def Acq. Expenses	4,104	6	4,020	6	1,190	3	1,221	3		
Underwriting Margin	16,579	24	18,620	27	11,767	25	11,590	24		
Direct Response										
Premium	207,693		199,786		19,053		18,328			
Net Policy Obligations	110,017	53	113,455	57	15,174	80	14,449	79		
Non Def Comm. & Amort.	53,713	26	50,948	26	774	4	792	4		
Non Def Acq. Expenses	4,581	2	4,255	2	10	—	4	—		
Underwriting Margin	39,382	19	31,128	16	3,095	16	3,083	17		
American Income Agency										
Premium	273,184		252,923		23,677		22,834			
Net Policy Obligations	82,375	30	77,864	31	5,769	24	6,332	28		
Non Def Comm. & Amort.	89,338	33	83,455	33	4,587	19	4,411	19		
Non Def Acq. Expenses	8,947	3	8,197	3	571	2	602	3		
Underwriting Margin	92,524	34	83,407	33	12,750	54	11,489	50		
Family Heritage Life										
Premium	891		816		69,061		63,917			
Net Policy Obligations	519	58	474	58	35,039	51	33,235	52		
Non Def Comm. & Amort.	174	20	173	21	15,321	22	14,255	22		
Non Def Acq. Expenses	24	3	21	3	1,878	3	1,706	3		
Underwriting Margin	174	20	148	18	16,823	24	14,721	23		
Other Distribution										
Premium	53,572		53,999		95,849		89,377		2	3
Net Policy Obligations	16,924	32	17,274	32	61,663	64	57,092	64	(3,250)	(3,433)
Non Def Comm. & Amort.	16,402	31	16,937	31	16,152	17	14,996	17	688	787
Non Def Acq. Expenses	309	1	360	1	2,216	2	2,423	3	—	—
Underwriting Margin	19,937	37	19,428	36	15,818	17	14,866	17	2,564	2,649
Totals:										
Premium	605,547		576,223		255,201		242,991		2	3
Net Policy Obligations	236,643	39	233,583	41	141,609	55	136,157	56	(3,250)	(3,433)
Non Def Comm. & Amort.	182,343	30	173,056	30	47,474	19	45,129	19	688	787
Non Def Acq. Expenses	17,965	3	16,853	3	5,865	2	5,956	2	—	—
Underwriting Margin	<u>\$ 168,596</u>	28	<u>\$ 152,731</u>	27	<u>\$ 60,253</u>	24	<u>\$ 55,749</u>	23	<u>\$ 2,564</u>	<u>\$ 2,649</u>
TOTAL UNDERWRITING MARGINS					\$ 231,413		\$ 211,129			
Other Income					416		361			
Administrative & Other Expenses					(55,812)		(52,426)			
Insurance Underwriting Income					<u>\$ 176,017</u>		<u>\$ 159,064</u>			

TORCHMARK CORPORATION
Insurance Operations
(Unaudited)
(Dollar amounts in thousands)

	Nine Months Ended September 30,									
	LIFE				HEALTH				ANNUITY	
	2018	%	2017	%	2018	%	2017	%	2018	2017
LNL Exclusive Agency										
Premium	\$ 209,224		\$ 205,775		\$ 144,598		\$ 148,073			
Net Policy Obligations	78,892	38	74,994	36	72,712	50	76,392	52		
Non Def Comm. & Amort.	67,581	32	63,753	31	32,127	22	32,667	22		
Non Def Acq. Expenses	12,740	6	11,365	6	3,599	2	3,433	2		
Underwriting Margin	50,011	24	55,663	27	36,160	25	35,581	24		
Direct Response										
Premium	628,525		613,568		57,440		55,269			
Net Policy Obligations	343,355	55	353,222	58	45,571	79	43,442	79		
Non Def Comm. & Amort.	162,890	26	157,522	26	2,405	4	2,499	5		
Non Def Acq. Expenses	13,649	2	12,762	2	15	—	10	—		
Underwriting Margin	108,631	17	90,062	15	9,449	16	9,318	17		
American Income Agency										
Premium	805,372		741,392		69,751		66,275			
Net Policy Obligations	248,341	31	232,871	31	17,042	24	18,506	28		
Non Def Comm. & Amort.	264,345	33	244,968	33	13,727	20	13,182	20		
Non Def Acq. Expenses	26,669	3	24,254	3	1,701	2	1,624	2		
Underwriting Margin	266,017	33	239,299	32	37,281	53	32,963	50		
Family Heritage Life										
Premium	2,597		2,378		202,915		188,350			
Net Policy Obligations	1,515	58	1,410	59	104,098	51	99,071	53		
Non Def Comm. & Amort.	506	19	494	21	44,974	22	42,958	23		
Non Def Acq. Expenses	73	3	61	3	5,726	3	4,910	3		
Underwriting Margin	503	19	413	17	48,117	24	41,411	22		
Other Distribution										
Premium	160,666		162,783		283,735		272,590		12	9
Net Policy Obligations	50,140	31	51,453	32	182,136	64	174,834	64	(9,881)	(10,322)
Non Def Comm. & Amort.	50,154	31	51,431	32	48,073	17	45,780	17	2,177	2,465
Non Def Acq. Expenses	940	1	1,172	1	6,694	2	6,867	3	—	—
Underwriting Margin	59,432	37	58,727	36	46,832	17	45,109	17	7,716	7,866
Totals:										
Premium	1,806,384		1,725,896		758,439		730,557		12	9
Net Policy Obligations	722,243	40	713,950	41	421,559	56	412,245	56	(9,881)	(10,322)
Non Def Comm. & Amort.	545,476	30	518,168	30	141,306	19	137,086	19	2,177	2,465
Non Def Acq. Expenses	54,071	3	49,614	3	17,735	2	16,844	2	—	—
Underwriting Margin	\$ 484,594	27	\$ 444,164	26	\$ 177,839	23	\$ 164,382	23	\$ 7,716	\$ 7,866
TOTAL UNDERWRITING MARGINS					\$ 670,149		\$ 616,412			
Other Income					1,180		1,239			
Administrative & Other Expenses					(166,560)		(155,751)			
Insurance Underwriting Income					<u>\$ 504,769</u>		<u>\$ 461,900</u>			

TORCHMARK CORPORATION
Net Sales and First-Year Collected Premium
(Unaudited)
(Dollar amounts in thousands)

NET SALES ⁽¹⁾	Nine Months Ended September 30,		Increase (Decrease) %	Three Months Ended September 30,		Increase (Decrease) %
	2018	2017		2018	2017	
LIFE						
Globe Life Direct Response	\$ 96,978	\$ 106,652	(9)	\$ 29,755	\$ 30,927	(4)
American Income Agency	169,442	167,478	1	54,671	57,327	(5)
LNL Exclusive Agency	36,189	34,609	5	11,959	11,896	1
Other Distribution	9,901	7,501	32	3,565	2,352	52
Total Life	<u>312,510</u>	<u>316,240</u>	(1)	<u>99,950</u>	<u>102,502</u>	(2)
HEALTH						
Direct Response	3,439	3,790	(9)	878	1,205	(27)
American Income Agency	10,697	10,369	3	3,611	3,797	(5)
LNL Exclusive Agency	15,706	14,558	8	5,452	5,256	4
UA Independent	40,215	33,440	20	12,622	9,022	40
Family Heritage	45,047	41,755	8	16,026	14,227	13
Total Health	<u>115,104</u>	<u>103,912</u>	11	<u>38,589</u>	<u>33,507</u>	15
TOTAL NET SALES	<u>\$ 427,614</u>	<u>\$ 420,152</u>	2	<u>\$ 138,539</u>	<u>\$ 136,009</u>	2

FIRST-YEAR COLLECTED PREMIUM ⁽²⁾	Nine Months Ended September 30,		Increase (Decrease) %	Three Months Ended September 30,		Increase (Decrease) %
	2018	2017		2018	2017	
LIFE						
Globe Life Direct Response	\$ 62,889	\$ 70,989	(11)	\$ 20,316	\$ 22,151	(8)
American Income Agency	143,498	135,935	6	47,906	46,212	4
LNL Exclusive Agency	27,369	24,587	11	9,436	8,424	12
Other Distribution	7,424	7,325	1	2,711	2,309	17
Total Life	<u>241,180</u>	<u>238,836</u>	1	<u>80,369</u>	<u>79,096</u>	2
HEALTH						
Direct Response	3,862	4,108	(6)	1,242	1,419	(12)
American Income Agency	11,352	10,840	5	4,002	3,998	—
LNL Exclusive Agency	13,330	12,258	9	4,635	4,013	15
UA Independent	45,017	39,650	14	15,474	13,610	14
Family Heritage	35,196	33,116	6	12,109	11,204	8
Total Health	<u>108,757</u>	<u>99,972</u>	9	<u>37,462</u>	<u>34,244</u>	9
TOTAL FIRST-YEAR COLLECTED PREMIUM	<u>\$ 349,937</u>	<u>\$ 338,808</u>	3	<u>\$ 117,831</u>	<u>\$ 113,340</u>	4

Net sales and first-year collected premium are statistical measures utilized as indicators of future premium growth. Below are definitions:

- (1) Net sales is defined as annualized premium issued (Gross premium that would be received during the policies' first year in force and assuming that none of the policies lapsed or terminated.), net of cancellations in the first thirty days after issue, except in the case of Globe Life 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.
- (2) First-year collected premium is defined as the premium collected during the reporting period for all policies in their first policy year. First-year collected premium takes lapses into account in the first year when lapses are more likely to occur, and thus is a useful indicator of how much new premium is expected to be added to premium income in the future.

TORCHMARK CORPORATION
Consolidated Balance Sheet
(Unaudited)
(Amounts in thousands, except per share data)

	September 30,	
	2018	2017
Assets:		
Investments:		
Fixed maturities—available for sale, at fair value ⁽¹⁾	\$ 16,231,471	\$ 16,652,913
Policy loans	543,836	523,318
Other long-term investments	191,191	70,096
Short-term investments	633,490	65,482
Total investments	17,599,988	17,311,809
Cash	77,439	88,462
Accrued investment income	244,851	238,278
Other receivables	406,907	389,084
Deferred acquisition costs	4,091,601	3,911,800
Property and equipment	124,462	103,076
Goodwill	441,591	441,591
Other assets	414,078	440,935
Assets related to discontinued operations	68,571	68,572
Total assets	\$ 23,469,488	\$ 22,993,607
Liabilities:		
Future policy benefits	\$ 13,842,694	\$ 13,298,069
Unearned and advance premium	62,139	61,536
Policy claims and other benefits payable	337,981	318,832
Other policyholders' funds	97,007	97,016
Current and deferred income taxes payable	1,072,856	2,069,158
Short-term debt	615,011	309,002
Long-term debt	1,358,947	1,130,806
Other liabilities	493,726	492,175
Liabilities related to discontinued operations	50,222	49,328
Total liabilities	17,930,583	17,825,922
Shareholders' equity:		
Preferred stock	—	—
Common stock	124,218	127,218
Additional paid-in-capital	527,489	508,386
Unrealized investment gains (losses), net of tax	477,624	1,039,302
Retained earnings	5,267,964	4,239,582
Treasury stock, at cost	(858,390)	(746,803)
Total shareholders' equity	5,538,905	5,167,685
Total liabilities and shareholders' equity	\$ 23,469,488	\$ 22,993,607
Diluted Basis:		
Shares outstanding	114,559	118,028
Book value per common share	\$ 48.35	\$ 43.78
Book value per common share excluding net unrealized gains on fixed maturities ⁽²⁾	\$ 43.10	\$ 34.27

(1) Fixed maturities available for sale, at amortized cost

	\$ 15,462,364	\$ 14,914,580
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(2) ASC 320 includes guidance for treatment of unrealized gains and losses on available-for-sale fixed maturities previously included in FAS 115. This is considered a non-GAAP measure.

TORCHMARK CORPORATION

Invested Assets
(Unaudited)
(Dollar amounts in millions)

Investment Portfolio at September 30, 2018

	<u>Amortized Cost</u>	<u>% of Total</u>	<u>Industry %⁽¹⁾</u>
Fixed maturities available for sale	\$ 15,462	92	74
Policy loans	544	3	4
Equities	—	—	3
Mortgage loans	77	—	10
Investment real estate	—	—	1
Other long-term investments	105	1	5
Short-term investments	633	4	3
Total	<u>\$ 16,822</u>	<u>100</u>	

⁽¹⁾ Data available from the American Council of Life Insurance.

Fixed Maturities at September 30, 2018

<u>Summary</u>	<u>Amortized Cost</u>	<u>Market Value</u>	<u>Net Unrealized Gain/Loss</u>	<u>Average Rating</u>	<u>% of Total Amort. Cost</u>
Investment Grade	\$ 14,780	\$ 15,575	\$ 794	A-	96
Below Investment Grade	682	657	(25)	B+	4
Total	<u>\$ 15,462</u>	<u>\$ 16,231</u>	<u>\$ 769</u>	BBB+	
By Type					
Corporates	\$ 13,206	\$ 13,840	\$ 634	BBB+	85
Redeemable preferred stock:					
U.S.	343	381	38	BBB-	2
Foreign	31	36	5	BBB-	—
Municipals	1,263	1,342	80	AA	8
Government-sponsored enterprises	322	313	(9)	AAA	2
Government & Agencies	89	88	(1)	AAA	1
Residential mortgage-backed securities	1	1	—	AAA	—
Collateralized debt obligations (CDOs)	58	79	21	CC+	—
Other asset-backed securities	150	151	1	BBB	1
Total	<u>\$ 15,462</u>	<u>\$ 16,231</u>	<u>\$ 769</u>	BBB+	

TORCHMARK CORPORATION

Invested Assets

(Unaudited)

(Dollar amounts in millions)

September 30, 2018

By Sector	Amortized Cost	Market Value	Net Unrealized Gain/Loss	Average Rating	% of Total Amort. Cost
Financial - life/health/PC insurance	\$ 1,980	\$ 2,157	\$ 177	BBB+	13
Financial - bank	785	829	44	A-	5
Financial - financial guarantor	16	17	1	BBB+	—
Financial - insurance brokers	88	93	6	BBB	1
Financial - other	840	832	(8)	BBB+	5
Utilities	1,993	2,188	196	A-	13
Energy	1,636	1,734	98	BBB	11
Consumer, Non-cyclical	1,965	1,981	16	BBB+	13
Consumer, cyclical	512	507	(5)	BBB-	3
Communications	716	725	9	BBB+	5
Basic materials	1,053	1,103	50	BBB	7
Transportation	560	602	41	BBB+	4
Technology	84	87	3	A-	1
Other industrials	1,351	1,401	49	BBB+	9
Other asset-backed securities	150	151	1	BBB	1
Collateralized debt obligations	58	79	21	CC+	—
Mortgage-backed securities	1	1	—	AAA	—
Government	1,674	1,744	70	AA+	11
Total	\$ 15,462	\$ 16,231	\$ 769	BBB+	

By Sector by Rating: Amortized Cost	AAA	AA	A	BBB	BIG	Total
Financial - life/health/PC insurance		\$ 253	\$ 603	\$ 1,057	\$ 66	\$ 1,980
Financial - bank		104	317	338	27	785
Financial - financial guarantor				16	—	16
Financial - insurance brokers			5	83	—	88
Financial - other			252	513	75	840
Utilities		26	1,092	855	20	1,993
Energy		12	243	1,234	147	1,636
Consumer, Non-cyclical	\$ 11	51	508	1,375	21	1,965
Consumer, cyclical			100	313	100	512
Communications			168	512	36	716
Basic materials		17	138	841	57	1,053
Transportation			147	387	26	560
Technology			40	44	—	84
Other industrials			352	952	47	1,351
Other asset-backed securities			9	140	—	150
Collateralized debt obligations					58	58
Mortgage-backed securities	1				—	1
Government	706	702	264	1	—	1,674
Total	\$ 718	\$ 1,165	\$ 4,238	\$ 8,659	\$ 682	\$ 15,462
% of Total	5%	8%	27%	56%	4%	100%

TORCHMARK CORPORATION

Invested Assets

(Unaudited)

(Dollar amounts in millions)

Below Investment Grade Bonds by Sector	September 30, 2018	June 30, 2018	Increase (Decrease) Amount
Financial - life/health/PC insurance	\$ 66	\$ 66	\$ —
Financial - bank	27	27	—
Financial - financial guarantor	—	—	—
Financial - insurance brokers	—	—	—
Financial - other	75	75	—
Utilities	20	20	—
Energy	147	152	(5)
Consumer, Non-cyclical	21	21	—
Consumer, cyclical	100	100	—
Communications	36	36	—
Basic materials	57	57	—
Transportation	26	26	—
Technology	—	—	—
Other industrials	47	47	—
Other asset-backed securities	—	—	—
Collateralized debt obligations	58	59	(1)
Mortgage-backed securities	—	—	—
Government	—	—	—
Total	\$ 682	\$ 688	\$ (6)

Below Investment Grade Bonds By SVO Class (Statutory)	September 30, 2018	June 30, 2018	Increase (Decrease) Amount
Asset Class 3	\$ 509	\$ 519	\$ (10)
Asset Class 4	224	225	(1)
Asset Class 5	54	54	—
Asset Class 6 (at market value)	64	62	2
	\$ 851	\$ 860	\$ (9)

	Three Months Ended September 30,	
	2018	2017
Fixed Maturity Acquisitions:		
Amount	\$ 206	\$ 376
Yield	5.1%	4.4%
Ratings	BBB+	BBB+
Average Life (in years) to:		
Next Call	20.4	25.0
Maturity	26.0	26.0