

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

Twelve Months Ended December 31,			Q4	Q3	Q2	Q1	Q4
2018	2017		2018	2018	2018	2018	2017
UNDERWRITING INCOME							
Life:							
\$ 2,406,555	\$ 2,306,547	Premium	\$ 600,171	\$ 605,547	\$ 602,534	\$ 598,303	\$ 580,651
(955,750)	(942,595)	Net Policy Obligations	(233,507)	(236,643)	(241,233)	(244,367)	(228,645)
(725,897)	(693,693)	Non-deferred Commissions and Amortization	(180,421)	(182,343)	(182,108)	(181,025)	(175,525)
(72,607)	(65,922)	Non-deferred Acquisition Expense	(18,536)	(17,965)	(18,016)	(18,090)	(16,308)
652,301	604,337	Underwriting Margin	167,707	168,596	161,177	154,821	160,173
Health:							
1,015,339	976,373	Premium	256,900	255,201	251,440	251,798	245,816
(565,945)	(550,848)	Net Policy Obligations	(144,386)	(141,609)	(139,735)	(140,215)	(138,603)
(189,628)	(183,787)	Non-deferred Commissions and Amortization	(48,322)	(47,474)	(46,151)	(47,681)	(46,701)
(23,713)	(22,230)	Non-deferred Acquisition Expense	(5,978)	(5,865)	(6,016)	(5,854)	(5,386)
236,053	219,508	Underwriting Margin	58,214	60,253	59,538	58,048	55,126
10,376	10,562	Annuity Underwriting Margin	2,660	2,564	2,566	2,586	2,696
898,730	834,407	Total Underwriting Margin	228,581	231,413	223,281	215,455	217,995
1,236	1,270	Other Income	56	416	441	323	31
(223,941)	(210,590)	Admin. Expenses	(57,381)	(55,812)	(55,276)	(55,472)	(54,839)
676,025	625,087	Underwriting Income	171,256	176,017	168,446	160,306	163,187
EXCESS INVESTMENT INCOME							
882,512	847,885	Net Investment Income	224,233	221,627	218,568	218,084	212,955
(547,342)	(523,990)	Required Interest on Net Policy Liabilities	(138,943)	(137,666)	(136,208)	(134,525)	(133,643)
(90,076)	(84,532)	Interest on Debt	(23,610)	(22,433)	(22,411)	(21,622)	(21,707)
245,094	239,363	Total Excess Investment Income	61,680	61,528	59,949	61,937	57,605
(10,684)	(9,631)	Parent Company Expenses	(2,878)	(2,667)	(2,847)	(2,292)	(2,403)
910,435	854,819	Pre-Tax Operating Income	230,058	234,878	225,548	219,951	218,389
(178,475)	(278,812)	Income Tax	(44,870)	(46,531)	(44,251)	(42,823)	(70,913)
731,960	576,007	Net Operating Income Before Stock Compensation Expense	185,188	188,347	181,297	177,128	147,476
(24,986)	(2,326)	Stock Compensation Expense, Net of Tax	(8,166)	(5,625)	(6,237)	(4,958)	(713)
\$ 706,974	\$ 573,681	Net Operating Income	\$ 177,022	\$ 182,722	\$ 175,060	\$ 172,170	\$ 146,763
\$ 6.13	\$ 4.82	Per Share	\$ 1.56	\$ 1.59	\$ 1.51	\$ 1.47	\$ 1.24
115,249	118,983	Average Diluted Shares Outstanding	113,667	114,974	115,651	116,750	117,964
Reconciling items, net of tax:							
\$ 7,327	\$ 20,217	Realized Gain (Loss)—Investments	\$ (4,362)	\$ 815	\$ 9,333	\$ 1,541	\$ 13,982
(8,752)	(2,627)	Realized Loss—Redemption of Debt	(8,752)	—	—	—	(2,627)
(44)	(3,769)	Part D Adjustments - Discontinued Operations	11	24	32	(111)	(30)
(3,590)	(5,628)	Administrative Settlements	—	(3,590)	—	—	(4,267)
(1,247)	(187)	Non-Operating Fees	—	(1,247)	—	—	(187)
—	(1,171)	Guaranty Fund Assessments	—	—	—	—	(266)
798	873,978	Tax reform adjustment	798	—	—	—	873,978
\$ 701,466	\$ 1,454,494	Net Income	\$ 164,717	\$ 178,724	\$ 184,425	\$ 173,600	\$ 1,027,346
\$ 6.09	\$ 12.22	Per Share	\$ 1.45	\$ 1.55	\$ 1.59	\$ 1.49	\$ 8.71

TORCHMARK CORPORATION

Insurance Operations

(Unaudited)

(Dollar amounts in thousands)

Three Months Ended December 31,

	LIFE		HEALTH				ANNUITY			
	2018	%	2017	%	2018	%	2017	%	2018	2017
LNL Exclusive Agency										
Premium	\$ 69,654		\$ 68,860		\$ 46,780		\$ 48,134			
Net Policy Obligations	24,582	35	25,623	37	23,665	51	24,880	52		
Non Def Comm. & Amort.	22,985	33	21,654	31	10,615	23	10,735	22		
Non Def Acq. Expenses	4,334	6	3,596	5	1,305	3	1,071	2		
Underwriting Margin	17,753	25	17,987	26	11,195	24	11,448	24		
Direct Response										
Premium	200,410		199,339		18,857		18,199			
Net Policy Obligations	106,521	53	107,097	54	15,040	80	14,405	79		
Non Def Comm. & Amort.	50,222	25	51,379	26	751	4	800	4		
Non Def Acq. Expenses	4,678	2	4,127	2	4	—	2	—		
Underwriting Margin	38,989	19	36,736	18	3,062	16	2,992	16		
American Income Agency										
Premium	275,961		257,887		23,562		22,761			
Net Policy Obligations	86,032	31	78,335	30	5,604	24	6,158	27		
Non Def Comm. & Amort.	90,387	33	85,318	33	4,644	20	4,528	20		
Non Def Acq. Expenses	9,229	3	8,264	3	588	2	443	2		
Underwriting Margin	90,313	33	85,970	33	12,726	54	11,632	51		
Family Heritage Life										
Premium	904		815		70,360		65,184			
Net Policy Obligations	522	58	453	56	35,399	50	33,205	51		
Non Def Comm. & Amort.	183	20	186	23	15,565	22	15,085	23		
Non Def Acq. Expenses	24	3	21	3	1,870	3	1,684	3		
Underwriting Margin	175	19	155	19	17,526	25	15,210	23		
Other Distribution										
Premium	53,242		53,750		97,341		91,538		\$ —	\$ 6
Net Policy Obligations	15,850	30	17,137	32	64,678	66	59,955	65	(3,212)	(3,413)
Non Def Comm. & Amort.	16,644	31	16,988	32	16,747	17	15,553	17	552	723
Non Def Acq. Expenses	271	1	300	1	2,211	2	2,186	2	—	—
Underwriting Margin	20,477	38	19,325	36	13,705	14	13,844	15	2,660	2,696
Totals:										
Premium	600,171		580,651		256,900		245,816		—	6
Net Policy Obligations	233,507	39	228,645	39	144,386	56	138,603	56	(3,212)	(3,413)
Non Def Comm. & Amort.	180,421	30	175,525	30	48,322	19	46,701	19	552	723
Non Def Acq. Expenses	18,536	3	16,308	3	5,978	2	5,386	2	—	—
Underwriting Margin	<u>\$ 167,707</u>	28	<u>\$ 160,173</u>	28	<u>\$ 58,214</u>	23	<u>\$ 55,126</u>	22	<u>\$ 2,660</u>	<u>\$ 2,696</u>
TOTAL UNDERWRITING MARGINS					\$ 228,581		\$ 217,995			
Other Income					56		31			
Administrative & Other Expenses					(57,381)		(54,839)			
Insurance Underwriting Income					<u>\$ 171,256</u>		<u>\$ 163,187</u>			

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

	Twelve Months Ended December 31,									
	LIFE				HEALTH				ANNUITY	
	2018	%	2017	%	2018	%	2017	%	2018	2017
LNL Exclusive Agency										
Premium	\$ 278,878		\$ 274,635		\$ 191,378		\$ 196,207			
Net Policy Obligations	103,474	37	100,617	37	96,377	50	101,272	52		
Non Def Comm. & Amort.	90,566	32	85,407	31	42,742	22	43,402	22		
Non Def Acq. Expenses	17,074	6	14,961	5	4,904	3	4,504	2		
Underwriting Margin	<u>67,764</u>	24	<u>73,650</u>	27	<u>47,355</u>	25	<u>47,029</u>	24		
Direct Response										
Premium	828,935		812,907		76,297		73,468			
Net Policy Obligations	449,876	54	460,319	57	60,611	79	57,847	79		
Non Def Comm. & Amort.	213,112	26	208,901	26	3,156	4	3,299	4		
Non Def Acq. Expenses	18,327	2	16,889	2	19	—	12	—		
Underwriting Margin	<u>147,620</u>	18	<u>126,798</u>	16	<u>12,511</u>	16	<u>12,310</u>	17		
American Income Agency										
Premium	1,081,333		999,279		93,313		89,036			
Net Policy Obligations	334,373	31	311,206	31	22,646	24	24,664	28		
Non Def Comm. & Amort.	354,732	33	330,286	33	18,371	20	17,710	20		
Non Def Acq. Expenses	35,898	3	32,518	3	2,289	2	2,067	2		
Underwriting Margin	<u>356,330</u>	33	<u>325,269</u>	33	<u>50,007</u>	54	<u>44,595</u>	50		
Family Heritage Life										
Premium	3,501		3,193		273,275		253,534			
Net Policy Obligations	2,037	58	1,863	58	139,497	51	132,276	52		
Non Def Comm. & Amort.	689	20	680	21	60,539	22	58,043	23		
Non Def Acq. Expenses	97	3	82	3	7,596	3	6,594	3		
Underwriting Margin	<u>678</u>	19	<u>568</u>	18	<u>65,643</u>	24	<u>56,621</u>	22		
Other Distribution										
Premium	213,908		216,533		381,076		364,128		\$ 12	\$ 15
Net Policy Obligations	65,990	31	68,590	32	246,814	65	234,789	64	(13,093)	(13,735)
Non Def Comm. & Amort.	66,798	31	68,419	32	64,820	17	61,333	17	2,729	3,188
Non Def Acq. Expenses	1,211	1	1,472	1	8,905	2	9,053	2	—	—
Underwriting Margin	<u>79,909</u>	37	<u>78,052</u>	36	<u>60,537</u>	16	<u>58,953</u>	16	<u>10,376</u>	<u>10,562</u>
Totals:										
Premium	2,406,555		2,306,547		1,015,339		976,373		12	15
Net Policy Obligations	955,750	40	942,595	41	565,945	56	550,848	56	(13,093)	(13,735)
Non Def Comm. & Amort.	725,897	30	693,693	30	189,628	19	183,787	19	2,729	3,188
Non Def Acq. Expenses	72,607	3	65,922	3	23,713	2	22,230	2	—	—
Underwriting Margin	<u>\$ 652,301</u>	27	<u>\$ 604,337</u>	26	<u>\$ 236,053</u>	23	<u>\$ 219,508</u>	22	<u>\$ 10,376</u>	<u>\$ 10,562</u>
TOTAL UNDERWRITING MARGINS					\$ 898,730		\$ 834,407			
Other Income					1,236		1,270			
Administrative & Other Expenses					(223,941)		(210,590)			
Insurance Underwriting Income					<u>\$ 676,025</u>		<u>\$ 625,087</u>			

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

NET SALES ⁽¹⁾	Twelve Months Ended December 31,		Increase (Decrease) %	Three Months Ended December 31,		Increase (Decrease) %
	2018	2017		2018	2017	
<u>LIFE</u>						
Globe Life Direct Response	\$ 126,133	\$ 135,704	(7)	\$ 29,155	\$ 29,052	—
American Income Agency	223,924	223,259	—	54,482	55,781	(2)
LNL Exclusive Agency	49,173	46,886	5	12,984	12,277	6
Other Distribution	13,293	10,233	30	3,392	2,732	24
Total Life	412,523	416,082	(1)	100,013	99,842	—
<u>HEALTH</u>						
Direct Response	4,769	5,582	(15)	1,330	1,792	(26)
American Income Agency	14,432	13,943	4	3,735	3,574	5
LNL Exclusive Agency	22,098	20,407	8	6,392	5,849	9
UA Independent	69,967	61,170	14	29,752	27,730	7
Family Heritage	60,268	56,534	7	15,221	14,779	3
Total Health	171,534	157,636	9	56,430	53,724	5
TOTAL NET SALES	\$ 584,057	\$ 573,718	2	\$ 156,443	\$ 153,566	2
<u>FIRST-YEAR COLLECTED PREMIUM⁽²⁾</u>						
	Twelve Months Ended December 31,		Increase (Decrease) %	Three Months Ended December 31,		Increase (Decrease) %
	2018	2017		2018	2017	
<u>LIFE</u>						
Globe Life Direct Response	\$ 82,432	\$ 92,057	(10)	\$ 19,543	\$ 21,068	(7)
American Income Agency	190,680	182,538	4	47,182	46,603	1
LNL Exclusive Agency	36,463	33,191	10	9,094	8,604	6
Other Distribution	10,342	9,633	7	2,918	2,308	26
Total Life	319,917	317,419	1	78,737	78,583	—
<u>HEALTH</u>						
Direct Response	5,111	5,657	(10)	1,249	1,549	(19)
American Income Agency	15,249	14,673	4	3,897	3,833	2
LNL Exclusive Agency	17,809	16,427	8	4,479	4,169	7
UA Independent	62,720	54,851	14	17,703	15,201	16
Family Heritage	47,422	44,535	6	12,226	11,419	7
Total Health	148,311	136,143	9	39,554	36,171	9
TOTAL FIRST-YEAR COLLECTED PREMIUM	\$ 468,228	\$ 453,562	3	\$ 118,291	\$ 114,754	3

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. Net sales is a useful indicator of the rate of acceleration of premium growth.
- (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)

	December 31,	
	2018	2017
Assets:		
Investments:		
Fixed maturities—available for sale, at fair value ⁽¹⁾	\$ 16,297,932	\$ 16,969,325
Policy loans	550,066	529,529
Other long-term investments	207,258	108,559
Short-term investments	63,288	127,071
Total investments	17,118,544	17,734,484
Cash	121,026	118,563
Accrued investment income	243,003	233,453
Other receivables	415,157	391,775
Deferred acquisition costs	4,137,925	3,958,063
Property and equipment	135,275	107,080
Goodwill	441,591	441,591
Other assets	414,624	421,456
Assets related to discontinued operations	68,577	68,520
Total assets	\$ 23,095,722	\$ 23,474,985
Liabilities:		
Future policy benefits	\$ 13,953,826	\$ 13,439,472
Unearned and advance premium	61,208	61,430
Policy claims and other benefits payable	350,826	333,294
Other policyholders' funds	97,459	97,635
Current and deferred income taxes payable	1,047,737	1,312,002
Short-term debt	307,848	328,067
Long-term debt	1,357,185	1,132,201
Other liabilities	453,270	489,609
Liabilities related to discontinued operations	51,186	49,854
Total liabilities	17,680,545	17,243,564
Shareholders' equity:		
Preferred stock	—	—
Common stock	121,218	124,218
Additional paid-in-capital	524,414	508,476
Unrealized investment gains (losses), net of tax	319,475	1,424,274
Retained earnings	5,213,468	4,806,208
Treasury stock, at cost	(763,398)	(631,755)
Total shareholders' equity	5,415,177	6,231,421
Total liabilities and shareholders' equity	\$ 23,095,722	\$ 23,474,985
Diluted Basis:		
Shares outstanding	112,561	117,696
Book value per common share	\$ 48.11	\$ 52.95
Book value per common share excluding net unrealized gains on fixed maturities ⁽²⁾	\$ 44.32	\$ 39.77

(1) Fixed maturities available for sale, at amortized cost \$ 15,753,471 \$ 14,995,101

(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 December 31, 2018

	<u>Amortized Cost</u>	<u>% of Total</u>	<u>Industry %⁽¹⁾</u>
Fixed maturities available for sale	\$ 15,753	95	74
Policy loans	550	3	4
Equities	—	—	3
Mortgage loans	96	1	10
Investment real estate	—	—	1
Other long-term investments	101	1	5
Short-term investments	63	—	3
Total	<u>\$ 16,565</u>	<u>100</u>	

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

Fixed Maturities at December 31, 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	\$ 15,087	\$ 15,697	\$ 610	A-	96
Below Investment Grade	666	601	(65)	B+	4
Total	<u>\$ 15,753</u>	<u>\$ 16,298</u>	<u>\$ 544</u>	BBB+	
<u>By Type</u>					
Corporates	\$ 13,785	\$ 14,226	\$ 441	BBB+	88
Municipals	1,355	1,437	82	AA	9
Government-sponsored enterprises	325	328	3	AAA	2
Government & Agencies	84	84	—	AAA	1
Residential mortgage-backed securities	1	1	—	AAA	—
Collateralized debt obligations (CDOs)	58	73	16	CC+	—
Other asset-backed securities	146	148	2	BBB	1
Total	<u>\$ 15,753</u>	<u>\$ 16,298</u>	<u>\$ 544</u>	D-	

TORCHMARK CORPORATION

Invested Assets

(Unaudited)

(Dollar amounts in millions)

December 31, 2018

By Sector	Amortized Cost	Market Value	Net Unrealized Gain/Loss	Average Rating	% of Total Amort. Cost
Financial - life/health/PC insurance	\$ 1,942	\$ 2,095	\$ 153	BBB+	12
Financial - bank	871	905	33	A-	6
Financial - financial guarantor	16	17	1	BBB+	—
Financial - insurance brokers	88	92	4	BBB	1
Financial - other	842	826	(17)	BBB+	5
Utilities	1,990	2,183	193	A-	13
Energy	1,653	1,684	32	BBB	10
Consumer, Non-cyclical	2,024	2,011	(13)	BBB+	13
Consumer, cyclical	531	512	(20)	BBB-	3
Communications	756	752	(4)	BBB+	5
Basic materials	1,053	1,072	20	BBB	7
Transportation	570	607	37	BBB+	4
Technology	84	85	1	A-	1
Other industrials	1,364	1,384	20	BBB+	9
Other asset-backed securities	147	148	2	BBB	1
Collateralized debt obligations	58	73	16	CC+	—
Mortgage-backed securities	1	1	—	AAA	—
Government	1,763	1,849	86	AA+	11
Total	\$ 15,753	\$ 16,298	\$ 544	BBB+	

By Sector by Rating: Amortized Cost	AAA	AA	A	BBB	BIG	Total
Financial - life/health/PC insurance		\$ 253	\$ 566	\$ 1,057	\$ 66	\$ 1,942
Financial - bank		104	346	394	27	871
Financial - financial guarantor				16	—	16
Financial - insurance brokers			5	83	—	88
Financial - other			251	516	75	842
Utilities		26	1,090	837	37	1,990
Energy		12	242	1,297	102	1,653
Consumer, Non-cyclical	\$ 11	50	502	1,427	34	2,024
Consumer, cyclical			68	363	100	531
Communications			155	565	36	756
Basic materials		17	133	846	57	1,053
Transportation			147	397	26	570
Technology			40	44	—	84
Other industrials			218	1,099	47	1,364
Other asset-backed securities			7	140	—	147
Collateralized debt obligations					58	58
Mortgage-backed securities	1				—	1
Government	738	760	214	51	—	1,763
Total	\$ 750	\$ 1,222	\$ 3,984	\$ 9,131	\$ 666	\$ 15,753
% of Total	5%	8%	25%	58%	4%	100%

TORCHMARK CORPORATION

Invested Assets

(Unaudited)

(Dollar amounts in millions)

<u>Below Investment Grade Bonds by Sector</u>	December 31, 2018	September 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	37	20	17
Energy	102	147	(45)
Consumer, Non-cyclical	34	21	13
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	58	—
Mortgage-backed securities	—	—	—
Government	—	—	—
Total	\$ 666	\$ 682	\$ (16)

<u>Below Investment Grade Bonds By SVO Class (Statutory)</u>	December 31, 2018	September 30, 2018	Increase (Decrease) Amount
Asset Class 3	\$ 535	\$ 509	\$ 26
Asset Class 4	191	224	(33)
Asset Class 5	54	54	—
Asset Class 6 (at market value)	60	64	(4)
	\$ 840	\$ 851	\$ (11)

	Three Months Ended December 31,	
	2018	2017
<u>Fixed Maturity Acquisitions:</u>		
Amount	\$ 409	\$ 262
Yield	5.3%	4.4%
Ratings	A-	BBB+
Average Life (in years) to:		
Next Call	17.6	23.7
Maturity	22.5	25.0