

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

Three Months Ended March 31,			Q1	Q4	Q3	Q2	Q1
2019	2018		2019	2018	2018	2018	2018
		UNDERWRITING INCOME					
		Life:					
\$ 624,289	\$ 598,303	Premium	\$ 624,289	\$ 600,171	\$ 605,547	\$ 602,534	\$ 598,303
(246,030)	(244,367)	Net Policy Obligations	(246,030)	(233,507)	(236,643)	(241,233)	(244,367)
(189,469)	(181,025)	Non-deferred Commissions and Amortization	(189,469)	(180,421)	(182,343)	(182,108)	(181,025)
(18,951)	(18,090)	Non-deferred Acquisition Expense	(18,951)	(18,536)	(17,965)	(18,016)	(18,090)
169,839	154,821	Underwriting Margin	169,839	167,707	168,596	161,177	154,821
		Health:					
266,684	251,798	Premium	266,684	256,900	255,201	251,440	251,798
(148,521)	(140,215)	Net Policy Obligations	(148,521)	(144,386)	(141,609)	(139,735)	(140,215)
(50,510)	(47,681)	Non-deferred Commissions and Amortization	(50,510)	(48,322)	(47,474)	(46,151)	(47,681)
(6,139)	(5,854)	Non-deferred Acquisition Expense	(6,139)	(5,978)	(5,865)	(6,016)	(5,854)
61,514	58,048	Underwriting Margin	61,514	58,214	60,253	59,538	58,048
2,416	2,586	Annuity Underwriting Margin	2,416	2,660	2,564	2,566	2,586
233,769	215,455	Total Underwriting Margin	233,769	228,581	231,413	223,281	215,455
241	323	Other Income	241	56	416	441	323
(59,191)	(55,472)	Admin. Expenses	(59,191)	(57,381)	(55,812)	(55,276)	(55,472)
174,819	160,306	Underwriting Income	174,819	171,256	176,017	168,446	160,306
		EXCESS INVESTMENT INCOME					
226,673	218,084	Net Investment Income	226,673	224,233	221,627	218,568	218,084
(139,840)	(134,525)	Required Interest on Net Policy Liabilities	(139,840)	(138,943)	(137,666)	(136,208)	(134,525)
(21,278)	(21,622)	Interest on Debt	(21,278)	(23,610)	(22,433)	(22,411)	(21,622)
65,555	61,937	Total Excess Investment Income	65,555	61,680	61,528	59,949	61,937
(2,643)	(2,292)	Parent Company Expenses	(2,643)	(2,878)	(2,667)	(2,847)	(2,292)
237,731	219,951	Pre-Tax Operating Income	237,731	230,058	234,878	225,548	219,951
(46,590)	(42,823)	Income Tax	(46,590)	(44,870)	(46,531)	(44,251)	(42,823)
191,141	177,128	Net Operating Income Before Stock Compensation Expense	191,141	185,188	188,347	181,297	177,128
(6,397)	(4,958)	Stock Compensation Expense, Net of Tax	(6,397)	(8,166)	(5,625)	(6,237)	(4,958)
\$ 184,744	\$ 172,170	Net Operating Income	\$ 184,744	\$ 177,022	\$ 182,722	\$ 175,060	\$ 172,170
\$ 1.64	\$ 1.47	Per Share	\$ 1.64	\$ 1.56	\$ 1.59	\$ 1.51	\$ 1.47
112,329	116,750	Average Diluted Shares Outstanding	112,329	113,667	114,974	115,651	116,750
		Reconciling items, net of tax:					
\$ 1,050	\$ 1,541	Realized Gain (Loss)—Investments	\$ 1,050	\$ (4,362)	\$ 815	\$ 9,333	\$ 1,541
—	—	Realized Loss—Redemption of Debt	—	(8,752)	—	—	—
(49)	(111)	Part D Adjustments - Discontinued Operations	(49)	11	24	32	(111)
(400)	—	Administrative Settlements	(400)	—	(3,590)	—	—
—	—	Non-Operating Fees	—	—	(1,247)	—	—
—	—	Tax reform adjustment	—	798	—	—	—
\$ 185,345	\$ 173,600	Net Income	\$ 185,345	\$ 164,717	\$ 178,724	\$ 184,425	\$ 173,600
\$ 1.65	\$ 1.49	Per Share	\$ 1.65	\$ 1.45	\$ 1.55	\$ 1.59	\$ 1.49

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

	Three Months Ended March 31,									
	LIFE				HEALTH				ANNUITY	
	2019	%	2018	%	2019	%	2018	%	2019	2018
LNL Exclusive Agency										
Premium	\$ 70,717		\$ 69,561		\$ 48,156		\$ 49,158			
Net Policy Obligations	25,302	36	26,907	39	24,053	50	25,038	51		
Non Def Comm. & Amort.	23,337	33	22,075	32	10,930	23	10,934	22		
Non Def Acq. Expenses	4,097	6	4,192	6	1,206	3	1,164	2		
Underwriting Margin	17,981	25	16,387	24	11,967	25	12,022	24		
Direct Response										
Premium	217,559		211,811		20,260		19,388			
Net Policy Obligations	118,476	54	118,703	56	15,996	79	15,326	79		
Non Def Comm. & Amort.	56,711	26	55,116	26	1,061	5	842	4		
Non Def Acq. Expenses	5,004	2	4,478	2	9	—	2	—		
Underwriting Margin	37,368	17	33,514	16	3,194	16	3,218	17		
American Income Agency										
Premium	281,767		262,530		24,099		22,702			
Net Policy Obligations	86,206	31	81,786	31	5,869	24	5,611	25		
Non Def Comm. & Amort.	92,697	33	86,823	33	4,875	20	4,668	21		
Non Def Acq. Expenses	9,555	3	9,044	3	605	3	574	3		
Underwriting Margin	93,309	33	84,877	32	12,750	53	11,849	52		
Family Heritage Life										
Premium	931		838		71,264		66,219			
Net Policy Obligations	536	58	485	58	35,901	50	33,718	51		
Non Def Comm. & Amort.	180	19	169	20	15,740	22	15,032	23		
Non Def Acq. Expenses	25	3	23	3	1,907	3	1,946	3		
Underwriting Margin	190	20	161	19	17,716	25	15,523	23		
Other Distribution										
Premium	53,315		53,563		102,905		94,331		\$ —	\$ 5
Net Policy Obligations	15,510	29	16,486	31	66,702	65	60,522	64	(3,072)	(3,328)
Non Def Comm. & Amort.	16,544	31	16,842	31	17,904	17	16,205	17	656	747
Non Def Acq. Expenses	270	1	353	1	2,412	2	2,168	2	—	—
Underwriting Margin	20,991	39	19,882	37	15,887	15	15,436	16	2,416	2,586
Totals:										
Premium	624,289		598,303		266,684		251,798		—	5
Net Policy Obligations	246,030	39	244,367	41	148,521	56	140,215	56	(3,072)	(3,328)
Non Def Comm. & Amort.	189,469	30	181,025	30	50,510	19	47,681	19	656	747
Non Def Acq. Expenses	18,951	3	18,090	3	6,139	2	5,854	2	—	—
Underwriting Margin	<u>\$ 169,839</u>	27	<u>\$ 154,821</u>	26	<u>\$ 61,514</u>	23	<u>\$ 58,048</u>	23	<u>\$ 2,416</u>	<u>\$ 2,586</u>
TOTAL UNDERWRITING MARGINS					\$ 233,769		\$ 215,455			
Other Income					241		323			
Administrative & Other Expenses					(59,191)		(55,472)			
Insurance Underwriting Income					<u>\$ 174,819</u>		<u>\$ 160,306</u>			

TORCHMARK CORPORATION
Net Sales and First-Year Collected Premium

(Unaudited)
(Dollar amounts in thousands)

NET SALES⁽¹⁾	Three Months Ended March 31,		Increase (Decrease) %
	2019	2018	
<u>LIFE</u>			
Globe Life Direct Response	\$ 32,447	\$ 32,183	1
American Income Agency	57,551	55,101	4
LNL Exclusive Agency	12,259	11,361	8
Other Distribution	3,083	2,658	16
Total Life	105,340	101,303	4
<u>HEALTH</u>			
Direct Response	1,145	1,575	(27)
American Income Agency	3,899	3,386	15
LNL Exclusive Agency	5,565	4,977	12
UA Independent	14,894	14,183	5
Family Heritage	13,030	13,484	(3)
Total Health	38,533	37,605	2
TOTAL NET SALES	\$ 143,873	\$ 138,908	4

FIRST-YEAR COLLECTED PREMIUM⁽²⁾	Three Months Ended March 31,		Increase (Decrease) %
	2019	2018	
<u>LIFE</u>			
Globe Life Direct Response	\$ 21,256	\$ 21,586	(2)
American Income Agency	47,476	46,907	1
LNL Exclusive Agency	9,394	8,831	6
Other Distribution	2,958	2,250	31
Total Life	81,084	79,574	2
<u>HEALTH</u>			
Direct Response	1,023	1,280	(20)
American Income Agency	3,758	3,535	6
LNL Exclusive Agency	4,601	4,278	8
UA Independent	16,084	14,085	14
Family Heritage	11,936	11,369	5
Total Health	37,402	34,547	8
TOTAL FIRST-YEAR COLLECTED PREMIUM	\$ 118,486	\$ 114,121	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. 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)

	March 31,	
	2019	2018
Assets:		
Investments:		
Fixed maturities—available for sale, at fair value ⁽¹⁾	\$ 17,223,585	\$ 16,635,885
Policy loans	555,456	532,383
Other long-term investments	231,934	168,621
Short-term investments	125,759	80,023
Total investments	18,136,734	17,416,912
Cash	67,342	88,615
Accrued investment income	255,148	240,817
Other receivables	419,610	396,379
Deferred acquisition costs	4,185,231	4,002,181
Property and equipment	138,360	116,161
Goodwill	441,591	441,591
Other assets	420,865	411,097
Assets related to discontinued operations	68,557	68,590
Total assets	\$ 24,133,438	\$ 23,182,343
Liabilities:		
Future policy benefits	\$ 14,084,082	\$ 13,571,585
Unearned and advance premium	66,924	67,058
Policy claims and other benefits payable	357,294	333,760
Other policyholders' funds	96,986	97,468
Current and deferred income taxes payable	1,225,497	1,216,687
Short-term debt	294,378	365,156
Long-term debt	1,355,601	1,131,215
Other liabilities	557,824	528,877
Liabilities related to discontinued operations	51,426	50,236
Total liabilities	18,090,012	17,362,042
Shareholders' equity:		
Preferred stock	—	—
Common stock	121,218	124,218
Additional paid-in-capital	518,529	508,941
Unrealized investment gains (losses), net of tax	870,067	940,199
Retained earnings	5,364,820	4,955,608
Treasury stock, at cost	(831,208)	(708,665)
Total shareholders' equity	6,043,426	5,820,301
Total liabilities and shareholders' equity	\$ 24,133,438	\$ 23,182,343
Diluted Basis:		
Shares outstanding	111,643	116,098
Book value per common share	\$ 54.13	\$ 50.13
Book value per common share excluding net unrealized gains on fixed maturities ⁽²⁾	\$ 45.45	\$ 40.94
(1) Fixed maturities available for sale, at amortized cost	\$ 15,988,228	\$ 15,274,490

(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 March 31, 2019

	Fair Value	Amortized Cost	% of Total	Industry % ⁽¹⁾
Fixed maturities available for sale	\$ 17,224	\$ 15,988	95	74
Policy loans	555	555	3	4
Equities	1	—	—	3
Mortgage loans	110	110	1	10
Investment real estate	—	—	—	1
Other long-term investments	120	114	1	5
Short-term investments	126	126	1	3
Total	<u>\$ 18,137</u>	<u>\$ 16,895</u>	<u>100</u>	

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

Fixed Maturities at March 31, 2019

	Amortized Cost	Market Value	Net Unrealized Gain/Loss	Average Rating	% of Total Amortized Cost
Summary					
Investment Grade	\$ 15,317	\$ 16,592	\$ 1,275	A-	96
Below Investment Grade	671	631	(40)	B+	4
Total	<u>\$ 15,988</u>	<u>\$ 17,224</u>	<u>\$ 1,235</u>	BBB+	
By Type					
Corporates	\$ 13,948	\$ 15,030	\$ 1,082	BBB+	87
Municipals	1,426	1,540	113	AA	9
Government-sponsored enterprises	328	344	16	AAA	2
Government & Agencies	82	84	2	AAA	1
Residential mortgage-backed securities	1	1	—	AAA	—
Collateralized debt obligations (CDOs)	57	77	20	CC+	—
Other asset-backed securities	146	149	3	BBB	1
Total	<u>\$ 15,988</u>	<u>\$ 17,224</u>	<u>\$ 1,235</u>	BBB+	

TORCHMARK CORPORATION

Invested Assets

(Unaudited)
(Dollar amounts in millions)

March 31, 2019

<u>By Sector</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>
Financial - life/health/PC insurance	\$ 2,005	\$ 2,238	\$ 233	BBB+	13
Financial - bank	902	985	83	A-	6
Financial - financial guarantor	16	18	2	BBB+	—
Financial - insurance brokers	98	105	7	BBB	1
Financial - other	844	862	18	BBB+	5
Utilities	1,985	2,255	270	A-	12
Energy	1,645	1,791	146	BBB	10
Consumer, Non-cyclical	2,095	2,168	73	BBB+	13
Consumer, cyclical	523	520	(3)	BBB	3
Communications	762	799	37	BBB+	5
Basic materials	1,054	1,126	72	BBB	7
Transportation	571	631	60	BBB+	4
Technology	84	89	5	A-	1
Other industrials	1,364	1,443	79	BBB+	9
Other asset-backed securities	146	149	3	BBB	1
Collateralized debt obligations	57	77	20	CC+	—
Mortgage-backed securities	1	1	—	AAA	—
Government	1,836	1,967	131	AA+	11
Total	\$ 15,988	\$ 17,224	\$ 1,235	BBB+	

By Sector by Rating: Amortized Cost

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BIG</u>	<u>Total</u>
Financial - life/health/PC insurance	\$ —	\$ 257	\$ 611	\$ 1,071	\$ 66	\$ 2,005
Financial - bank	—	108	367	400	27	902
Financial - financial guarantor	—	—	—	16	—	16
Financial - insurance brokers	—	—	15	83	—	98
Financial - other	—	—	279	490	75	844
Utilities	—	26	1,122	801	37	1,985
Energy	—	12	242	1,278	114	1,645
Consumer, Non-cyclical	11	55	529	1,466	34	2,095
Consumer, cyclical	—	—	68	370	84	523
Communications	—	—	195	538	29	762
Basic materials	—	17	133	843	61	1,054
Transportation	—	—	147	398	26	571
Technology	—	—	40	44	—	84
Other industrials	—	—	218	1,099	47	1,364
Other asset-backed securities	—	—	7	125	14	146
Collateralized debt obligations	—	—	—	—	57	57
Mortgage-backed securities	1	—	—	—	—	1
Government	785	785	214	51	—	1,836
Total	\$ 797	\$ 1,260	\$ 4,187	\$ 9,073	\$ 671	\$ 15,988
% of Total	5%	8%	26%	57%	4%	100%

TORCHMARK CORPORATION

Invested Assets

(Unaudited)
(Dollar amounts in millions)

Below Investment Grade Bonds by Sector	March 31, 2019	December 31, 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	37	—
Energy	114	102	12
Consumer, Non-cyclical	34	34	—
Consumer, cyclical	84	100	(16)
Communications	29	36	(7)
Basic materials	61	57	4
Transportation	26	26	—
Technology	—	—	—
Other industrials	47	47	—
Other asset-backed securities	14	—	14
Collateralized debt obligations	57	58	(1)
Mortgage-backed securities	—	—	—
Government	—	—	—
Total	\$ 671	\$ 666	\$ 5

Below Investment Grade Bonds By SVO Class (Statutory)	March 31, 2019	December 31, 2018	Increase (Decrease) Amount
Asset Class 3	\$ 521	\$ 535	\$ (14)
Asset Class 4	191	191	—
Asset Class 5	37	54	(17)
Asset Class 6 (at market value)	63	60	3
	\$ 812	\$ 840	\$ (28)

	Three Months Ended March 31,	
	2019	2018
Fixed Maturity Acquisitions:		
Amount	\$ 451	\$ 359
Yield	4.9%	4.5%
Ratings	A+	A
Average Life (in years) to:		
Next Call	19.5	14.8
Maturity	28.2	23.4