4th QUARTER 2011 CONFERENCE CALL

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Mark McAndrew: Thank you. Good morning everyone. Joining me this morning is Gary Coleman, our Chief Financial Officer; Larry Hutchison, our General Counsel; and Mike Majors, Vice President of Investor Relations.

Some of our comments or answers to your questions may contain forward-looking statements that are provided for general guidance purposes only. Accordingly, please refer to our 2010 10-K and any subsequent forms 10-Q on file with the SEC.

Net operating income for the fourth quarter was $128 million, or $1.25 per share — a per share increase of 12% from a year ago. Net income for the fourth quarter was $126 million, or $1.23 per share — a 4% decline on per share basis.

For the full year, operating income per share grew 10% to $4.68 while net income per share increased 12% to $4.72.

Excluding FAS 115, our return on equity was 14.2% for the quarter and our book value per share was $35.59 — a 9% increase from a year ago. On a GAAP reported basis, with fixed maturities carried at market value, book value grew 25% for the year to $41.54 per share.

In our life insurance operations, premium revenue (excluding United Investors) grew 4% to $432 million, and life underwriting margins increased 6% to $121 million. Net Life sales for the quarter increased 5% to $81 million.

At American Income, life premiums were up 9% to $157 million and life underwriting margin was up 5% to $51 million. Net Life sales increased 11% for the quarter to $37 million.

The producing agent count at year end was 4,381, up 12% from a year ago.

I continue to be excited about the growth prospects at American Income. While the agent count dipped slightly in the fourth quarter, it rebounded strongly in January to over 4,600. Our middle sales management ranks have grown 29% in the past year. As expected, we saw double-digit life sales growth in the fourth quarter which we expect to continue throughout 2012.

In our Direct Response operation at Globe Life, life premiums were up 6% to $146 million. And life underwriting margin was also up 6% to $36 million. Net life sales were up 8% to $33 million.

We are beginning to see the impact of the increased insert media circulation which we began in the third quarter. We expect to see similar or better sales growth through at least the first 3 quarters of 2012.

At Liberty National, life premiums declined 3% to $71 million and life underwriting margin was down 1% to $16 million. Net life sales declined 23% to $8 million while net health sales grew 43% to $5 million. The producing agent count at Liberty National at year-end was 1,345 - down 33% for the year.

Since our last call, we have made some management changes at Liberty National. Roger Smith, the CEO of American Income, has also been appointed CEO of Liberty National, and Steve DiChiaro, a very successful SGA at American Income, was brought in as Chief Marketing Officer. These management changes have been very well received by the Liberty National sales force and I am optimistic that we will begin to see a turnaround at Liberty National in the next 6 to 9 months.

On the health side, premium revenue, excluding Part D, declined 5% to $179 million and health underwriting margin also declined 5% to $34 million. Health net sales grew 7% in the quarter to $21 million.

Premium revenue from Medicare Part D declined 5% to $48 million, while underwriting margin was down 23% to $7 million. Part D sales for the quarter increased to $97 million vs $14 million a year ago primarily as a result of the low income subsidized enrollees which we discussed on the last call.

The volume of business from new low income subsidized enrollees who turned 65 has been a positive development. While we expected to enroll roughly 2,000 per month for January and February we have averaged closer to 6,000. We now expect to add 50,000 to 75,000 additional enrollees turning 65 in 2012, verses our prior estimated of 24,000.

Administrative expenses were $41 million for the quarter up 2% from a year ago and in line with our expectations.

I will now turn the call over to Gary Coleman, our Chief Financial Officer, for his comments.

Gary Coleman: Thanks, Mark. I want to spend a few minutes discussing our investment portfolio, capital and share repurchases.

First, the investment portfolio:

On our website are three schedules that provide summary information regarding our portfolio as of December 31, 2011.

As indicated on these schedules, invested assets are $11.4 billion, including $10.9 billion of fixed maturities at amortized cost. There is no exposure to European sovereign debt, and there are no commercial mortgage back securities or securities backed by sub-prime or alt. A mortgages.

Of the fixed maturities, $10.2 billion are investment grade with an average rating of A-. Below investment grade bonds are $701 million, compared to $863 million a year ago. The $162 million decline this year is due primarily to $140 million of dispositions and $22 million of net upgrades.

The percentage of below investment grade (BIG) bonds to fixed maturities is 6.4%, compared to 8.3% at the end of 2010. With a portfolio leverage of 3 times, the percentage of BIG bonds to equity, excluding net unrealized gains on fixed maturities is 19%, which is less than most of our peers.

Overall, the total portfolio is rated A-, compared to BBB+, a year ago.

We have net unrealized gains in the fixed maturity portfolio of $964 million compared to gains of $942 million at end of the third quarter and $108 million a year ago. The increase in unrealized gains in the fourth quarter is due primarily to slight declines in treasury yields and credit spreads.

Regarding investment yield:

In the fourth quarter we invested $273 million in investment grade fixed maturities, primarily in the industrial sectors. We invested at an average annual effective yield of 5.22%, an average rating of A- and an average life of 28 years. For the year, we invested $1.1 billion at an average yield of 5.65% and an average rating of A-.

For the entire portfolio, the fourth quarter yield was 6.52% compared to 6.54% in the previous quarter and 6.65% in the fourth quarter of 2010. The decline in yield is due to the lower new money yields. As of December 31, the yield on the portfolio is 6.49%.

Regarding RBC:

As we've said before, we plan to maintain our capital at the level necessary to retain our current ratings. For the last two years, that level has been around an NAIC RBC ratio of 325%. This ratio is lower than some peer companies, but is sufficient for our companies in light of our consistent statutory earnings, the relatively lower risk of our policy liabilities, and our ratings. Although we haven't finalized our 2011 statutory financial statements, we expect that RBC at 12-31-11 will be around the 325% target.

Now regarding share repurchases and parent company assets:

In the fourth quarter, we used $67 million to buy 1.7 million Torchmark shares. For the year, we spent $788 million to acquire 18.9 million shares, or 16% of the diluted outstanding shares at the beginning of the year.

At December 31, the Parent Company had liquid assets of $74 million.

In addition to these assets, the parent will generate additional free cash in 2012. We define annual free cash flow as the dividends received from the subsidiaries less interest expense and less dividends paid to our shareholders. Assuming shareholder dividends at the current level, we expect free cash flow in 2012 to be around $350-$360 million. Thus, including the $74 million of assets on hand, we will have approximately $425-$435 million of cash available to the parent during the year. To date in 2012, we have used $16 million of this cash to buy 355 thousand Torchmark shares.

As noted before, we will use our cash as efficiently as possible. If market conditions are favorable, we expect that share repurchases will continue to be a primary use of those funds.

Now, before I turn the call back to Mark I would like to discuss the impact of the new accounting rules for DAC.

As of January 1, 2012 the Company will adopt ASU 2010-26, which changes the rules regarding the deferral of acquisition costs. This standard will change the timing of GAAP profits to the extent that certain expenses deferred currently will not be deferred under the new rule. However, it does not affect our overall profitability, cash flows or statutory earnings.

We will elect to adopt the new rules retroactively, which means that DAC will be written down to the level as if the new standard had been in place in prior periods. Going forward, the earnings impact will be the combination of the reduction in expenses deferred on newly issued policies, somewhat offset by the reduced amortization of DAC resulting from the retroactive write down.

We currently estimate that:

- The retroactive write down will be around 16% of the current DAC asset which will result in around a 10% reduction in GAAP

Equity excluding net unrealized gains or losses on fixed maturities.

- In addition, we expect that 2012 earnings will be 1% to 2%, or $.06 - $.08 per share, lower than they would have been under the old rules.

- And that ROE, excluding net unrealized gains or losses will rise from the current 14% level to 15% to 16%.

These estimates were included in our guidance for 2012.

Those are my comments. I will now turn the call back to Mark.

Mark McAndrew:

Thank you Gary

For 2012, we continue to expect our net operating income per share will be in a range of $5.10 to $5.40 per share.

And those are my comments for this morning. Gwen I will now open it up for questions.

QUESTION AND ANSWER

Jimmy Bhullar *- JPMorgan - Analyst*

Thank you, good morning. First for Mark on recruiting trends, you mentioned that the American Income agent count recovered a bit but if you could just give us an idea on what caused the decline in the fourth quarter and your outlook for agents there?

Then also at Liberty National, the agent count dropped I think - you obviously made a lot of changes in December in that business. Should we expect another drop in the agent count there or has most of the disruption already occurred?

And then lastly, Gary, you mentioned the $350 million to $360 million of free cash flow. You gave numbers or cash at the holding company but I missed those. So if you could just repeat those as well.

Mark McAndrew *- Torchmark Corporation - Chairman and CEO*

Okay. First off, Jimmy, on - as far as American Income recruiting, I'm not sure if that was the way the holidays fell, we did see a drop off the last couple of weeks of the year which caused a little dip there. Fourth quarter is never a particularly strong recruiting quarter for us although the January and early February results have been very strong. Recruiting is up significantly and our agent retention is improving and the middle management counts are growing, so I feel very good about where it's at.

Actually if I look at the agent count at the end of January, we're up 24% from where we were the same time a year ago. So I am very optimistic about where American Income is.

At Liberty National, you know I think I have all the confidence in the world in Roger and Steve but realistically, I think it is going to take six months to get the recruiting and training and sales processes in place at Liberty. I think we will see the decline slow but I would still expect to probably see a small decline in the first quarter and hopefully a turnaround from there. But I really think it will be the second half of the year before we really see the results of a turnaround at Liberty. Gary?

Gary Coleman *- Torchmark Corporation - EVP and CFO*

Yea, Jimmy, I said at the beginning of the year we had $700 I mean excuse me had $74 million of cash on hand and we will supplement that with cash this year of 3 - additional cash of $350 million to $360 million free cash flow.

Jimmy Bhullar -

Okay, and most of that - how much do you intend to - I think you mentioned most of that you intend to use for buybacks but how much would you want to keep just as a cushion out of that amount?

Gary Coleman -

Oh I think we would probably want to keep a cushion of around $50 million, maybe a little bit higher. I think there is no specific need or whatever that we are targeting. We just feel like we should have some cushion and that number feels about right.

Mark McAndrew -

Jimmy, the midpoint of our guidance, we're assuming that we're going to spend about $90 million a quarter on share repurchase.

Jimmy Bhullar -

Okay, got you. And then just a following up on the Liberty comments, have you seen - you mentioned the agent count being up at American Income but at Liberty, have you seen the agent count drop further so far this quarter?

Mark McAndrew -

As of now, it's down about 4% from where it was at year-end, so it's still down a little bit from where we were at year-end.

Jimmy Bhullar -

Got you, thank you

Randy Binner *- FBR Capital Markets - Analyst*

Hey thanks, you know just on Liberty National, you know I appreciate the comments on the management change there, but it seems like we've been talking about or you all have been talking about things you can do there which has included I think closing offices and potentially changing product profiles and maybe compensation. But if you could elaborate on kind of what else the new management team there might change going forward, I would be interested to kind of get a little bit more color on what they might expect to improve at Liberty.

Mark McAndrew *- Torchmark Corporation – Chairman and CEO*

Well the main thing, Randy, is really getting more organized in our recruiting and training of new agents. We you know, At American Income, we have systems in place where it is an ongoing every week process of here's how you recruit and every SGA that we have there is recruiting every week and the middle management team that we have there, they are recruiting on a weekly basis.

It's - we just need to implement similar processes at Liberty National and that really hasn't been put in place in the past. So it's primarily about improving the recruiting and training processes at Liberty.

Again, we’re starting with a handful of offices and then we’ll expand it from there, but it realistically it's going to take us six to nine months I think to get all of the Liberty offices on board with those processes.

Randy Binner -

And so you don't think that you will have to close - I guess two follow-ups would be you don't think you will have to close any more offices and I guess what I'm hearing is that you think this is something that can be addressed. It's not a macro issue of you know trouble getting folks to sign up for you know, commission sales job, you know gas prices, or anything like that? You know you really think it's – You know, I guess you're not going to have to close more offices and you think it's really isolated to training and recruiting?

Mark McAndrew -

No and we had a Liberty managers meeting here a couple weeks ago where we introduced Roger and Steve to them and basically I told –I’m- we are through closing offices. No I don't expect the number of offices to decline further.

I think the managers that we have are enthusiastic. They - we just need to show them a little better how to recruit and how to train, and I have all the confidence in the world that by the end of 2012, we will see - we will see a turnaround there.

Randy Binner -

Alright, thanks Mark.

Sarah Dewitt - *Barclays Capital - Analyst*

Hi, good morning. How are you thinking about the growth in the Health earnings longer-term? Is this now a growth business for you? And if not, what do you view as the end game for that business?

Mark McAndrew *- Torchmark Corporation - Chairman and CEO*

Well, our emphasis is going to continue to be on the Life, but - you know, we are seeing some improvement in the Medicare supplement marketplace, which is a market we have been in since 1960s. So it's a business we are very comfortable with, you know particularly we are seeing actually in our general agency and Direct Response, we are actually seeing some - some growth in our Medicare supplement sales as well as our premiums.

I don't expect to see any - we are not anticipating major growth there but we will take all of that business we can get. So I think over the next three to five years, I think we'll start to see some growth in our Medicare supplement line of business.

Liberty National, most of their growth in Health sales are coming from supplemental products sold through the work site, similar to the AFLAC type products. We are very comfortable with those products, have been selling them for a number of years and we expect to see continued growth in that marketplace.

So in those specific markets, we are very comfortable with the products we have and I think we will continue to see growth in those Health sales.

Sarah Dewitt -

Okay, great. And then, what are your expectations for the Part D sales in 2012 based on the higher enrollment that you are seeing?

Mark McAndrew –

Well, that is, as I mentioned, a positive. Where we did pick up, we did pick up about 77,000 new people at the beginning of the year and while we were anticipating picking up 2,000 a month, it has been running closer to 6,000 a month people turning 65. And the average premium on that, monthly premium is just right at $100. So you can multiply that out. It is – well let's see - I've got it here somewhere.

As far as we started the year I believe with $195 million of annual premium in force, by year-end we expect that to be about $328 million of in force. I think we - we expect to have about a little over $300 million of collected premium for the year.

Sarah Dewitt -

Great, thanks for the answers.

Paul Sarran - *Evercore Partners - Analyst*

Good morning.

Mark McAndrew *- Torchmark Corporation - Chairman and CEO*

Good Morning,

Paul Sarran -

A couple of questions. I guess first, given the decline at Liberty, can you talk about whether it still makes sense to run it as a separate company apart from American Income?

Second, I was hoping that you could help us reconcile some capital figures from the third quarter to year-end. I think there was $166 million of capital at the hold co. at the third quarter. I was hoping you could walk us through how you get down to 74?
And then lastly, do you still see buybacks as the most likely use for your free cash flows this year or is there anything on the acquisition front you might be interested in?

Mark McAndrew *- Torchmark Corporation - Chairman and CEO*

Okay, I will take the first one. As far as Liberty, it does still make sense to operate as a separate company. It is - American Income, there are enough differences between the two that it would be, - it would be very difficult to merge the two. American Income agents are all unionized. They're all union members, which is a niche that we like. But - and it still comes down to even though all new agents that we are hiring at Liberty National are independent contractors, the existing agents and management are - continue to be employees, which would not work well in the American Income environment. Liberty National has a good name in its market and we believe it can grow on its own.

So we intend to continue to operate it as a separate entity. Gary, do you want to talk about the capital?

Gary Coleman ***- Torchmark Corporation - EVP and CFO***

Sure Paul, we started the quarter with $166 million. The free cash for just the fourth quarter, again that's the dividends less the interest expense and our dividend payments to shareholders was $13 million. That gets you to $179 million. From that we used $68 million for share repurchases. There was - we also used $25,000 to make a capital contribution to one of our insurance subsidiaries. And then that leaves another $12 million that we spent that was net of several different parent company expenses. But if you net all those down, you get down to the $74 million.

Paul Sarran -

Okay, and what - was there anything specific that prompted the contribution to the insurance company?

Gary Coleman -

Well, the primary reason for that is there was a - the NAIC changed the way it treats some trust preferred or hybrid securities and depending on the level that they were - the purchase price versus the par value, they raised the capital requirements for those particular bonds. And so that's - that was unexpected. It was adopted during the year and so this additional $25 million was put down there just to make sure that we stayed around our 325% target.

Paul Sarran -

Okay, then the question on buybacks or use of free cash flow?

Mark McAndrew -

Well Paul, overall as far as the acquisition front, we continue to keep our eyes open. We continue to talk to investment bankers but right now, we still don't see anything on the short-term horizon that we're interested in.

As far as buybacks versus dividend, while - we've been gradually increasing our dividend the last few years. We're still - we have got - we are at a lower yield than our peers. We may – we may see some acceleration in the dividends. But again what we have been doing if you look at our free cash including money spent for dividends, we are running about $400 million to $410 million a year. We've been using about $50 million for dividends. We may see that go up a little bit but we still expect the bulk of it to be used for share repurchases.

Paul Sarran -

Okay, thanks.

Jeff Schuman ***- Keefe, Bruyette & Woods - Analyst***

Thanks, good morning. I was wondering if you could talk a little bit about lapse rates and conservation. If I look at your life insurance lapse rate exhibit that you publish, I mean the lapse rates do move around from quarter to quarter and they are impacted by the mix of first-year and renewal. But on the surface it certainly looks like the lapse rates are trending better. Is that - do you think that's a real trend and is it related to the conservation efforts or how do you see that?

Mark McAndrew ***- Torchmark Corporation - Chairman and CEO***

Well, I definitely think it's a real trend. Particularly at American Income, which again, that's where we focused our initial efforts. We're seeing some positive trends. I didn't really mention in my comments but our new initiatives this year on conservation, we conserved just over $12 million of annualized premium. Now about half of that was at American Income.

Next year we expect those initiatives to conserve over $31 million in premium - that's our estimate right now. So we are starting to see some impact and that's the reason we started publishing that exhibit. But I think we will see more of an impact over the next 12 to 24 months as we continue to expand those conservation initiatives.

Jeff Schuman -

Okay, that's it for me, thank you.

Chris Giovanni - *Goldman Sachs - Analyst*

Thanks so much, good morning. I guess one of the things I was surprised by was the increase in the discount rate, you know albeit modestly. Just curious kind of, what's driving the increase there, given you know - the continued decline in the effective portfolio yield?

Gary Coleman - *Torchmark Corporation - EVP and CFO*

Chris, it's really due to the mix of business. If you remember that most of our life business is protection type business not crediting interest to policyholder accounts. The discount rate is truly a discount rate used to calculate the reserves. In 2011, or for policies issued in 2011 we did drop the discount rate to 5.75%, which in prior years would have been even closer to 6.5%. But the 2011 issues are having small impact when you look at the overall port – or the overall block of business that we have.

And so the increase is coming from the fact that there's a bit more of the business at those higher rates for the few years prior to 2011. But I think the rate where it is, it's not going to go up much from here and in the long run, it will start trending down.

Mark McAndrew - *Torchmark Corporation - Chairman and CEO*

Actually, Chris, as far as new business written in 2012, as Gary mentioned, we did lower the discount rate for business issued in 2011. We expect to lower that some more for the business written in 2012 although we'll shed more light on that on the next call.

Chris Giovanni -

Okay are you thinking - because your effective kind of new money yield here in the quarter was 5.2%, so should we be thinking about sort of an adjustment to the discount rate down somewhere closer to that level?

Gary Coleman -

It actually could be a little bit lower. I think in the last call, we gave some assumptions of what would happen over the next five years if we invested at 4.75% and we also talked about maybe dropping the discount rate to 4.75% on 2012 issues.

We, as Mark said, we will decide on that in the first quarter but it will be lower than the 5.22 and it may be lower than 5%.

Mark McAndrew -

But Chris, you need to understand that that's only a new business issue.

Gary Coleman –

Right

Chris Giovanni –

Correct okay

Mark McAndrew –

And again in the midpoint of our guidance, we have assumed that we were going to lower it to 4.75%, grade it up to 6.5% over seven years is what we have included in our guidance. It doesn't mean that's what we're going to use, but that is what we have estimated in our guidance.

Chris Giovanni -

Okay, that's helpful. And then just finally, in terms of new money you are kind of lowering the ratings, extending durations to try and protect the yields. But just curious to see if you are exploring any additional sort of investment strategies to help you know preserve yields; whether its mortgage loans or alternative asset classes? Are you going to kind of continue the same strategy you have been doing?

Gary Coleman -

Well, first of all, we are not extending durations. We have been investing in these durations for quite a few years and it all gets back to asset and liability matching. Our liabilities are very long.

And also in terms of quality, we haven't stepped down in quality. We have been at A- level for new purchases for quite some time. I think there was one quarter we went down to BBB+. But you know we really haven't changed anything. We are being consistent with our investment strategy in the past.

We look at alternative assets, but we have stayed away from mortgage loans as I mentioned in the beginning, stayed away from all the - whether its residential or commercial or whatever, and that I think we feel more comfortable with investment-grade corporate bonds and we don't like the lower yields but we feel better with the credit of those assets, the credit quality and I think that's what we're going to stay with.

Mark McAndrew -

Right, and also, Chris I mentioned - as mentioned on the last call, we can adjust to the lower interest rates. We did put through some rate increases January 1 in both Direct Response and American Income to offset the lower investment yield. We feel very comfortable with our investment strategy. We feel like it's served us very well for a number of years now and we expect to continue that.

Chris Giovanni -

Okay, thanks, all very helpful.

Steven Schwartz *- Raymond James - Analyst*

Hey, good morning everybody. I got three here, mostly some follow-ups I think. Just to follow-up on Chris's question with regards to discount rates, Mark or Gary, could you remind us if you were to lower the discount rate to 4 3/4, what would that do to your pricing?

Mark McAndrew *- Torchmark Corporation - Chairman and CEO*

Well again we did a study about a year ago. 100 basis point decline - to reduce it 100 basis points, caused us to - it would be 1% to 3% in most of our products, would take a 1% to 3% rate adjustment to offset 100 basis points lowering of the discount rate. We put through about a 5% increase at both American Income and some of the Direct Response products January 1, so we feel like kind of - we are ahead of that game.

Steven Schwartz -

Okay, and then Genworth in their conference call mentioned an issue with regards to GAAP accounting and level term life insurance. I think that's a product that you guys provide. Are you aware of this or have any thoughts on it?

Mark McAndrew -

Want to take that, Gary?

Gary Coleman *- Torchmark Corporation - EVP and CFO*

Yeah, I'm not aware of - can you give me more detail?

Steven Schwartz -

Yea, as far as I understand it has to do with the idea that upon conversion when the level term runs out, the pricing is significantly higher, which can lead to a situation where reserves go negative on these policies. Genworth had historically used the reserves as a negative and has decided to put a floor in the reserves to zero so they can't have negative reserves.

Mark McAndrew *- Torchmark Corporation - Chairman and CEO*

Okay

Gary Coleman *- Torchmark Corporation - EVP and CFO*

I'm sorry, Steven. I really don't have an answer to that.

Mark McAndrew -

I would point out, Steven, actually if you look at our business, most of our business is whole life; at American Income, Liberty National, most of its whole life, even in Direct Response. We show some term business in Direct Response but its term to 100 or term to 95, and very long-term policies where we really don't see conversions.

Steven Schwartz -

Okay great

Mark McAndrew -

So it's really not been an issue with us.

Steven Schwartz -

Okay, then one more if I could. With regards to LNL and beating that dead horse, I'm fascinated by the trends within the new recruits and the veteran agents, veteran agents being up, new recruits being down. On the new recruit side, is this a function of - you've said in the past, Mark, LNL was a place you went to work when you were looking for work. Is --?

Mark McAndrew -

I remember that comment.

Steven Schwartz –

Is that - has that really changed? Is that what's driving the new recruits down? What's leading to the veterans up?

Mark McAndrew -

Well, there's no doubt closing as many offices as we did - again, we went from 130 offices to down to 70 in a little over a year. Part of the reason for that was just to get the expenses in line and get the profitability of the business up to where it needs to be. So that had a big impact on recruiting. To go from 130 managers down to 70, it's going to impact the number of new agents we recruit.

As far as - in fact I'm looking at that number, I don't really have an answer, Steven, for why that went from 552 to 648 on the veteran agents. I will look into it and I can have Mike get back to you on that.

Steven Schwartz -

Okay, great. One more follow-up, if I could on this? You mentioned you're not closing any more offices. I think you've discussed in the past that you could lose maybe a third of the offices due to the changes that you made. Do you think that's still an accurate assessment?

Mark McAndrew -

No, I don't think it is anymore. We have had - since the last call we've actually had two meetings; one prior to the management well, one about the time of the last call. We had another meeting and the attitudes there are extremely good. This last meeting we had was the most positive meeting that I can ever recall having at Liberty.

So I don't - we might lose a handful of managers but I think we have people to replace them, so we don't anticipate closing offices or I don't think we will lose a third of the managers, no.

Steven Schwartz -

Alright, thanks guys.

John Nadel *- Sterne, Agee & Leach - Analyst*

Hi, good morning, everybody. I was just thinking about and maybe Gary's commentary about the trust preferreds brought me back to it. Just thinking about – you know you guys had a relatively large holdings in regional bank trust preferreds on the balance sheet. I think as we watch over the past several months at least, we have been seeing more and more activity where these banks are redeeming these trust preferreds. And I'm wondering if you have seen or if you expect to see some of that type of activity with your holdings and what kind of reinvestment risk that might put you under you know to the extent you've got to take proceeds and reinvest it 5.22% or lower.

Gary Coleman *- Torchmark Corporation - EVP and CFO*

John, We - I think we've only seen a couple issues called and they were smaller ones and - but we did have $700 and - just under $750 million of bank trust preferred hybrids that would - that are contingent calls and we expect a large number of those to be called but up until recently with the expectation that those calls would occur in 2013.

But as you mentioned, there's talk that some of the banks instead of waiting for the change - and that was tied to the change in the Tier 1 capital rules -- but now there's some indication that some banks will say, well, when the rules are issued in 2012, that will be the triggering event that will allow them to call the securities up.

So we really don't know how that's going to work out, whether there will be a sizable amount in 2012 or it will be 2013. You're right, it will have an impact on our yield. The yield on those are just a little over 7% and if we – you know if we refinanced or reinvested at 4.75% that's going to be a significant change in the yield.

In the last call, we talked about if rates -- if we invest in rates at 4.75% in the next five years, what would happen to the portfolio yield and I think what we said at the five years from now, instead of yielding 6.49% as it does today the portfolio would be yielding 6%. Well, in that -- in those projections we assume that these trust preferreds would be called and that the money would be reinvested at 4.75%.

John Nadel –

Okay

Gary Coleman -

So that projection is still good. The question is though will some of them happen in 2012 and we just don't know.

John Nadel -

Okay, that's helpful. And just at the margin, too, would you expect particularly after the injection of the capital under the rule change, would you expect that all else equal if you are investing like you are today at roughly A- that the risk-based capital requirements when you make that shift out of TruPS into you know higher grade corporates, do you expect required capital to fall a bit?

Gary Coleman –

Yes, it should because as I mentioned earlier, they have increased the capital charges on those trust preferreds. So I don't know how much the impact, but that would - well, it would have a fairly significant impact on our capital, so that would be a plus.

John Nadel -

Okay, thank you. And then I joined a little bit late and I'm sorry if I missed this, maybe you addressed it, but obviously the Medicare Part D sales were extremely strong. Could you just give us -- could you just remind us how to think about the pattern of the earned premium?

Mark McAndrew *- Torchmark Corporation - Chairman and CEO*

Okay sure, John.

John Nadel -

Thank you

Mark McAndrew –

Again we picked up - well first off, the average monthly premium, we get premiums monthly, is right at $100, $98.86 on these auto enrollees. We picked up 77,000 of those at the beginning of the year, January 1. Actually - and we had anticipated picking up an additional 2000 of people turning 65 each month, but through the first couple of months that has actually run closer to 6,000 a month. So we now expect to pick up somewhere in the 50,000 to 75,000 additional enrollees turning 65. And again, the monthly premium is right at $100.

So you can - I did make the comment that if I look at total revenue we had $197 million I think in 2011. We expect that to go to - our current estimate in our guidance is $306 million. I think it may be a little higher than that.

John Nadel -

Okay, and if I recall in the press release no expectation of any meaningful change in your margin on that premium?

Mark McAndrew –

No, we expect to continue roughly the same margin we had this year.

John Nadel –

That's helpful, thank you.

Bob Glasspiegel - *Langen McAlenney - Analyst*

So just following the math on John's question, which was 75% mine, it means the $29 million of Medicare earnings will grow into the 40s, probably will be a pretty good source of earnings growth. When you got into this Part D, I think originally you guys said that this would be a good base of earnings with a good return on capital that would sort of grade down. Now it looks like it actually could be a source of earnings growth prospectively?

Mark McAndrew - *Torchmark Corporation - Chairman and CEO*

Well, definitely for 2012 it is, Bob, and it's something we are already looking at what can we do for 2013 to not only hold on to what we have, but hopefully increase the volume of auto enrollees that we receive. So if we can - assuming we can at least hold on to the 21 regions where we are getting auto enrollees, it would become a significant area of growth for us.

Bob Glasspiegel -

Okay, is Roger Smith on the call and available for questions or no?

Mark McAndrew -

No, he's not. I might consider that in future quarters.

Bob Glasspiegel -

Well, I was going to say now that he is running two key business units and is obviously quite busy.

Mark McAndrew -

Yes he is.

Bob Glasspiegel -

I can understand that he's got things to work on now. But it would be good for us to get some or him to have some visibility to investors. We could see what he's focusing on and how he compares and contrasts Liberty to American Income, because they are two different markets that you are applying sort of the same mousetrap of recruiting to.

So I was just wondering what nuances he is picking up and focusing on and where the opportunity is. But it sounds like your answer for him is blocking and tackling on recruiting.

Mark McAndrew -

That's basically right, Bob. They are, they have become much more similar than what they were a year ago, two years ago, five years ago. And the basics of recruiting and training agents in those markets are very similar. So - but I will, I will think about your comment and at least try to get him on maybe one call here of the next two. I will try to have him on.

Bob Glasspiegel -

Thank you.

Mark McAndrew -

Okay Bob

Mark Hughes - *SunTrust Robinson Humphrey - Analyst*

Thank you. What a - refresh me on what drives the sustainability on that very good pace of 6,000 per month? What could make that go higher or lower? You mentioned you're getting the 21 regions with the auto enrollees. How do you pick up more share there?

Mark McAndrew - *Torchmark Corporation - Chairman and CEO*

Well, again, We're, I think there's 34 total regions. I think we are getting the auto enrollees in

21 of the 34, so there's obviously 13 we are not. So we're looking there. Any places that our plan is below the median cost in that region then we pick up a portion of the low income subsidized.

So that is something we are looking at, are there ways that we can continue to shave a few dollars off of our premium to keep it below the median or actually get it below the median in some of the markets that we're not in? So we are continuing to look at ways to be a little more price competitive.

Mark Hughes –

Okay, how about outlook in 2012 for insert volume for on the direct front marketing activity? Any interesting plans for the next few quarters?

Mark McAndrew –

Well, you know we significantly increased the volumes in the second half of 2011, which we're starting to see the results of. Right now at least for the first two quarters of 2012, we are just anticipating the circulation to increase 7% to 8% above a year ago. That could change as we go through the year but right now that's our current anticipation of the volume for the first half.

Mark Hughes

Thank you.

Operator

And there are no other questions at this time. I would like to turn the conference back to our speakers for any closing remarks.

Mark McAndrew *- Torchmark Corporation - Chairman and CEO*

Well, those are our comments for today. Thank you for joining us. I hope you have a great day.