2nd QUARTER 2013 CONFERENCE CALL

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Mike Majors

Thank you. Good morning everyone. Joining me today are Gary Coleman and Larry Hutchison, our Co-Chief Executive Officers, Frank Svoboda, our Chief Financial Officer, and Brian Mitchell, our General Counsel.

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 2012 10-K and any subsequent forms 10-Q on file with the SEC.

I will now turn the call over to Gary Coleman.

Gary Coleman

Thank you Mike, and good morning everyone.

Net operating income for the second quarter was $133 million or $1.42 per share – a per share increase of 9% from a year ago. Net income for the quarter was $134 million or $1.44 per share – also a 9% increase on a per share basis.

With fixed maturities at amortized cost, our return on equity as of June 30 was 15.6% and our book value per share was $36.73 - a 10% increase from a year ago. On a GAAP reported basis, with fixed maturities at market value, book value per share remained flat at $41.19.

Life Insurance

In our life insurance operations, premium revenue grew 5% to $475 million and life underwriting margins increased 9% to $136 million. The growth in underwriting margin exceeded the premium growth due to lower amortization of deferred acquisition costs and the deferral of certain direct response internet acquisition costs that previously have not been deferred.

The lower amortization rate is a result of improvements in persistency attributable to our ongoing conservation program, and is incorporated in our guidance for the full year. Frank will discuss the deferral of the internet costs in just a few minutes.

Finishing life sales, net life sales increased 2% to $91 million.

On the health side, premium revenue, excluding Part D, increased 23% to $218 million and health underwriting margin grew 25% to $50 million. Improvement in the health premium and underwriting margin was due primarily to the addition of Family Heritage.

Health sales increased 88% to $24 million, also due primarily to the acquisition of Family Heritage.

I will now turn the call over to Larry Hutchison for his comments on the insurance operations.

Larry Hutchison

Thank you Gary.

First, let's discuss American Income

At American Income, life premiums were up 9 percent to 178 million dollars and life underwriting margin was also up 5 percent to $57 million. Net life sales increased 2 percent for the quarter to $41 million. The producing agent count at the end of the second quarter was 5,540, up 4 percent from a year ago but down 1 percent during the quarter.

While net sales increased less than we expected for the second quarter, we are not discouraged. We're pleased the first quarter sales decline was reversed and believe this agency is moving in the right direction.

American Income has had a long history of stair-step growth and continual adjustments have always been needed to ensure long term agency growth. We continue to make changes to address new agent retention and agent productivity, and we're adding new SGA's in certain existing territories where we have large offices with slower growth rates.

We expect sales growth for the full year 2013 to range from 3 to 6 percent.

Now, Direct Response

In our direct response operation at Globe Life, life premiums were up 7 percent to $169 million and life underwriting margin increased 24 percent to $43 million. Net life sales were up 3 percent to $40 million.

Response rates began to improve during the second quarter and as we mentioned last quarter, we are confident that our new initiatives will help further increase response rates in 2013. We introduced rate adjustments and higher face amount offerings on adult products late in the second quarter.

We expect mid-single digit sales growth for the full year 2013.

Now, Liberty National

At Liberty National, life premiums declined 2 percent to $69 million while life underwriting margin was down 1 percent to $17 million. Net life sales grew 2 percent to $8 million, while net health sales declined 5 percent to $3 million. The producing agent count at LNL ended the quarter at 1,283 – down 5 percent from a year ago and down 7 percent during the quarter.

While the agent count was down, we continue to make progress with the turnaround at Liberty National. As we've said many times, this is going to be a slow process. The changes we have made have begun to improve agent productivity as

life sales increased during the second quarter despite the decline in agent count.

With regard to the agent count, geographic expansion into more urban areas is the key to growth at Liberty National. We opened four new offices in the second quarter and we plan to open three more this year. We expect this to generate long term agent and sales growth. Sales growth is expected to range from two to five percent for the full year 2013.

Now, Family Heritage

Health premiums were $48 million and health net sales were $11 million. As we've previously indicated, we intend to grow this agency through geographic expansion and implementation of our internet recruiting program.

For 2013, we expect health premium income to range from $189 million to $193 million with margins as a percentage of health premiums of about 18 to 20 percent. We expect sales of approximately $46 million to $48 million in 2013.

While our sales guidance is slightly lower than before, this agency continues to show steady sequential growth in agent count and health sales while being integrated into Torchmark.

Medicare Part D

Premium revenue from Medicare Part D declined 6 percent to $73 million, while the underwriting margin decreased 1 percent to $8 million. Part D sales for the quarter fell 63 percent to $8 million due to the decrease in low-income subsidized enrollees for 2013.

As we've mentioned before, we aren't receiving as many new auto-enrollees under the low-income subsidy program in 2013 as we did in 2012, so we don't have the type of sales and premium growth we had in 2012.

We expect a decrease of approximately 5 to 7 percent in our Part D premiums for 2013 due primarily to price competition in the employer group market that we've discussed previously.

I will now turn the call back to Gary.

Gary Coleman

To complete the discussion of insurance operations, administrative expenses were $44.1 million for the quarter, 11% more than a year ago. The increase is in line with our expectations and is due primarily to the addition of Family Heritage. As a percentage of premium, administrative expenses in 2013 should be around the same level as 2012.

Now, I want to spend a few minutes discussing our investment operations.

First, excess investment income:

Excess investment income (which we define as net investment income less required interest on policy liabilities and debt) was $55 million, a decline of $8 million or 12%; 8% on a per share basis, from the second quarter of 2012. This decline is due to lower new money yields and the call of $467 million of hybrid securities since June 30, 2012.

For the full year of 2013, we expect the decline in excess investment income to be approximately 7% to 8%. However, reflecting the impact of share repurchases, we expect 2013 excess investment income per share to be down around 3% compared to 2012.

Now, regarding the investment portfolio:

Invested assets were $12.8 billion, including $12.2 billion of fixed maturities at amortized cost.

Of the fixed maturities, $11.6 billion are investment grade with an average rating of A-, and below investment grade bonds are $585 million, compared to $764 million a year ago.

The percentage of below investment grade bonds to fixed maturities is 4.8% compared to 6.9% a year ago. With a portfolio leverage of 3½ X, the percentage of below investment grade bonds (BIG) to equity, excluding net unrealized gains on fixed maturities, is 17%, which is less than most of our peers.

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

In addition, we have net unrealized gains in the fixed maturity portfolio of $652 million compared to $1.2 billion a year ago. The decrease in unrealized gains is due primarily to the recent increases in market interest rates rather than credit concerns.

Regarding investment yield:

In the second quarter, we invested $305 million in investment grade fixed maturities, primarily in the industrial and utility sectors.

We invested at an average yield of 4.07%, an average rating of A- and an average life of 26 years. The new money yield decreased despite the increase in Treasury rates during the second quarter due to the following reasons:

1. First, on a one-time basis, we invested $43 million for Family Heritage in securities with shorter maturities than usual due to asset-liability matching considerations. Had this money been invested longer term, the average yield on total acquisitions for the quarter would have been around 4.2%

2. Also contributing to the lower new money rate, is that most of our investments were made early in the quarter, when Treasury rates were actually lower than they were in the first quarter.

For the entire portfolio, the second quarter yield was 5.95%, down 48 basis points from the 6.43% yield in the second quarter of 2012. Of this decline in yield, 14 basis points was due to the addition of Family Heritage and 13 basis points was due to the $467 million of bank hybrids called since June 30, 2012.

On the last call we indicated that we still held approximately $159 million of bank hybrids expected to be called in 2013. In the second quarter, $63 million were called. In addition, we have determined that another $20 million is now unlikely to be called, leaving $76 million of those bank hybrids that we expect to be called.

As of today, we have not received a notice of intent to call on any of these securities. However, if all $76 million of these securities are called, the lost annual income would be approximately $1 million after tax.

On past analyst calls we have discussed in detail the current low interest rate environment and the impact of a "lower for longer" rate scenario. As discussed, our concern regarding an extended period of low interest rates is the impact

on earnings, not the GAAP or statutory balance sheets. Even so, Torchmark would continue to earn substantial excess investment income in an extended low interest rate environment.

We are encouraged by the recent increase in Treasury rates due to the positive impact that higher interest rates will have on our excess investment income.

Even sudden interest rate spikes would be beneficial as we have very little disintermediation risk and we are not concerned about potential interest rate-driven unrealized losses in our fixed maturity portfolio. As we've said many times, we have both the intent and more importantly, the ability, to hold our bonds to maturity.

Now, I will turn the call over to Frank to discuss share repurchases and capital.

Frank Svoboda

Thanks, Gary.

I want to spend a few minutes discussing our share repurchases and capital position.

First, regarding share repurchases and parent company assets:

In the second quarter, we spent $90 million to buy 1.43 million Torchmark shares at an average cost of $62.77 per share. For the full year through June 30, we have spent $180 million of parent company cash to acquire 3 million shares at an average cost of $59.26 per share.

The available liquid assets at the Parent consist of assets on hand plus the expected free cash flow from operations. As we've said before, free cash flow results primarily from the dividends received by the parent from its subsidiaries less the interest paid on debt and the dividends paid to Torchmark shareholders.

The Parent ended the second quarter with liquid assets of $138 million, including $94 million that has been invested to redeem our senior notes that mature on August 1, 2013. Assuming shareholder dividends remain at their current level, we expect free cash flow for the remainder of 2013 to be around $206 million. Along with the $138 million of liquid assets available as of June 30, the Parent will have around $344 million of available liquid assets for the remainder of the year. As previously noted, $94 million of these assets will be used to redeem our senior notes on August 1, and we expect to utilize approximately $20 million in other financing activities, leaving the Parent with around $230 million of liquid assets for the remainder of the year. Of this amount we expect to retain approximately $50 million at the part company.

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

Now, regarding RBC at our Insurance Subsidiaries:

We plan to maintain our capital at the level necessary to retain our current ratings. For the last three 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.

Now, before I turn the call back to Larry, I would like to briefly make just a couple of

comments relating to the change in the treatment of certain direct response acquisition expenses.

During the second quarter, we began deferring direct response advertising costs related to our internet campaigns.

As we've discussed on prior calls, direct response advertising costs qualify for deferral treatment provided certain requirements in the accounting literature are met. One of these requirements is that we maintain detailed historical data to support a probable future benefit of the advertising. We initiated our direct response advertising through the web around 2007. Thus, at the time of our adoption of the new accounting guidance relating to the treatment of acquisition expenses in 2011, we did not have sufficient historical data to adequately support deferral of these internet related costs. We have been building on that data since 2011, and now have developed sufficient historical data to firmly support deferral of these costs going forward.

As a result of this change, non-deferred acquisition expenses related to Direct Response decreased approximately $4 million to $1.6 million in the 2nd quarter, or to about 1% of our Direct Response premium. For the third and fourth quarters, we anticipate that the amount of non-deferred acquisition expenses for Direct Response will be approximately the same as in the second quarter, resulting in approximately $12 million less in non-deferred acquisition expenses for the full year of 2013. This reduction will be offset by an increase in amortization expense over the year of approximately $1 million due to the additional deferred expenses, resulting in a net $11 million reduction in total Direct Response acquisition expenses. For the full year 2013, we estimate that our underwriting margin for direct response will be approximately 25 percent, as compared to 23 percent in 2012.

Overall, the effect of the change, net of the increased amortization and net of income taxes, was to increase our second quarter earnings per share by approximately 2.5 cents, and has been reflected in our revised guidance.

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

Larry Hutchison

Thank you Frank.

Guidance

For 2013, we expect our net operating income will be within a range of $5.60 per share to $5.75 per share.

Those are our comments for this morning. We will now open it up for questions.

Question and Answer

Jimmy Bhullar ***- JPMorgan Chase & Co. - Analyst***

Hi, good morning. First, I had a question on just the agent count. It had begun to recover, and this quarter dropped at both American Income and Liberty National. Liberty has actually been down for two consecutive quarters. The first one is just, what is going on there? What is driving that? And then, secondly, are you still comfortable that you could achieve your sales growth targets if the agent count doesn't begin to pick up? And then another question just on your expectations for Part D enrollments in 2014, and what type of products are you planning. And are you expecting a pickup in all enrollees next year?

Larry Hutchison *- Torchmark Corporation - Co-CEO*

Jimmy, this is Larry. I will address Liberty National first. As our new systems were implemented, we just found that agents did not meet the new activity levels required, and those agents left the agency. Also, our new training processes at Liberty National, and the implementation of the laptop presentation for individual sales have limited agents or managers' recruiting efforts for the six months of 2013. Our guidance for agent growth at Liberty National is at year end we believe the agent count at Liberty National will be between 1,400 and 1,500 agents.

At American Income, what we found is our initiatives to improve agent retention did not give us the desired results as quick as we had hoped. Also, our agent recruiting didn't reach the level needed to achieve double-digit agent sales growth in the second quarter. Again, we have initiatives that are changing at American Income. And our guidance for agent growth is that the year-end agent count at American Income should be in the range of 5,800 to 6,000 agents.

In terms of Part D in 2014, Jimmy, it's really too early to give guidance on 2014 Part D sales. We've submitted our bid but we don't see the results of those bids until October or November of this year.

Jimmy Bhullar

And then, this may be one more on the Family Heritage. As you've had the company for a few quarters now, what have been the positives or negatives versus what you might have assumed initially? And then what are your longer-term expectation for growth at that business?

Larry Hutchison

At Family Heritage, the integration is going very well. We have not lost a single agency director since the acquisition. Our Internet recruiting system is coming online at all agencies. And Family Heritage sales directors are now familiar with the system and they can manage their resume volume. In addition, in response to the growth we're seeing at Family Heritage, we've hired a full-time Recruiting Director to manage Internet recruiting at Family Heritage. And Family Heritage has also hired a Director of Agency Development. Important new agency directors. Jimmy, this year we've added approximately nine new agency directors. And, again, to avoid confusion on the call, when we talk about agency directors at Family Heritage, those are the SGAs, or those are the managers in the other two systems. We use the term Sales Director. That means a new agency head within Family Heritage. But with that, with the increasing agency counts that we see sequentially, we think there are good growth prospects at Family Heritage.

Jimmy Bhullar

Thank you.

Eric Bass *- Citigroup - Analyst*

I was hoping you could talk a little bit about competition, both in the life and health businesses. On the life side, you're seeing more insurers beginning to focus on the middle-market consumers. Although they are often using different distribution than you are. I was just wondering, are you seeing that your customers have more options for purchasing insurance than they have historically? And then, on the health side, I'm also seeing increased focus on supplemental products

from some insurers. Has there been any noticeable impact on pricing there?

Larry Hutchison ***- Torchmark Corporation - Co-CEO***

With respect to life insurance, we have not seen any impact of other insurers entering the middle income market. We are still seeing, when we make presentations in our customers' homes, we're the only agent in that home. We are not seeing any replacement activity that results from those sales.

The second question, I believe, was health insurance?

Gary Coleman – Torchmark Corporation – Co-CEO

Right

Eric Bass

Yes

Larry Hutchison

Again, there in our health insurance we're in a niche, with Family Heritage. They operate in basically rural areas. We are the only agent that is in the home making those presentations. On the Medicare supplement, obviously is a very competitive market. Although we have seen good growth in our Medicare supplement sales, particularly in our GA distribution. Health sales for the UA independent agents, which is primarily Medicare supplement, were up 17% in the quarter. And we think for the year, that within that agency, we're going to have double-digit sales growth in the independent agents. Now, it's low double-digit sales growth, it would be 9% or 10%, in that range. But, again, we are not seeing competition affect our sales.

Eric Bass

Okay, thanks, that's helpful. And then just one on American Income. You mentioned you added some more SGAs this quarter, and the opportunity to add additional SGAs in slower-growth markets. Just wondering what is the opportunity to add there. And how much middle management capacity do you have currently to fill those roles?

Larry Hutchison

What we have seen is improved middle management capacity, because we've really focused on middle management at American Income over the last two years. As we stated earlier in the call, on January 1, 2013 our SGA count was 64. We've added the 8 SGAs in the second quarter -- or selected the 8 SGAs in the second quarter. That brings our total to 72. We anticipate by year end 2013 we will be at 75 SGAs. I'm not going to give guidance for next year, but it's our expectation that we will be adding additional SGAs next year. in those areas where we don't have high growth rates, we know we have plenty of leads, we have resumes to recruit agents, we will be adding additional SGAs.

Eric Bass

Okay, thank you.

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

Hello. I think it is still good morning in Texas. Good morning, the question two places where I wanted to focus. One, obviously some challenges at Liberty; but really wanted to more focus on American Income and agent count growth. So, the target for year end is largely unchanged, right? Despite some pressure in 2Q. I guess I'm just wondering if you could just help us understand where your confidence comes from. What are the specific efforts that have been put in place? Can you talk at all to any progress in July that helps us feel better about the turnaround there?

Larry Hutchison ***- Torchmark Corporation - Co-CEO***

John, this is Larry, again. It's really not July progress that we are focused on. The reason we are expecting a stronger third and fourth quarter is because the changes that we introduced in the first and second quarter really focused on increased agent activity. And we have compensation changes that focus on improved agent retention. We think those are going to have greater impact on the third and fourth quarter. The other change at American Income is that, starting in August, we're going to introduce another compensation change at the agent level. There will be a bonus that's delivered to the agents as they have longer retention.

John Nadel

Okay

Larry Hutchison

I want to emphasize this. We talk about agent retention. We are not talking about 12-month agent retention. We are talking about increased agent retention in the third, fourth, and fifth and sixth months through the 12th month.

John Nadel

Understood, okay and then direct…

Gary Coleman – Torchmark Corporation – Co-CEO

John

John Nadel

I'm sorry am I interrupting- did I interrupt?

Gary Coleman

Yes, John, I was just going to add that, as Larry alluded to, we have to make adjustments along the way. A couple years ago we identified getting agents to the level where they were getting the top bonus as a means of growing the agency. What we found is that, through supervision and training, we were getting them to the top bonus level but we weren't staying with them or helping them stay at that level. That contributed to the lower retention. The things that Larry pointed out, especially bonus at the agent level, as they improve their tenure, I think will help get - not only help us to get them to the level they need to be, but be able to stay there in order to not only make it through the fourth, fifth month. If they can make it about halfway through the year, they have a much better chance of making it through the full year.

John Nadel

Okay, understood. And then really nice rebound in direct response this quarter. I know that last quarter you had talked about some initiatives there. Maybe you could help us understand where the success was. And, in particular, I know that you had talked about introducing, through Globe, the opportunity for higher face amount on the life insurance side. And I'm wondering if you're having any success with the higher face amount product.

Larry Hutchison

John, this is Larry. I will answer that in two parts. The first is really regarding response rates. Overall, direct response on improvement in response rates in the second quarter, let's break that down a little bit. May and June we really didn't see an improvement in response rates for circulation queries. But we did see a significant increase in response rates for our e-mail campaigns. And our mailing response rates were much better in the second quarter than the first quarter of 2013 or the final quarter of 2012. We're definitely seeing overall increase in response rates. I think your other question is really the rollout of our rates in our adult products. There, we are seeing good early results. And that is reflected in our guidance for the third and fourth quarter of 2013.

John Nadel

Okay. Very good. Thank you very much.

Mark Finkelstein ***- Evercore Partners - Analyst***

Good morning, I actually want to go back to American Income, as well. I guess I'm just trying to put the mosaic together. The sales outlook was moved from 10% to 14% down to 3% to 6%, or whatever the number was.

Larry Hutchison – Torchmark Corporation – Co CEO

Yes

Mark Finkelstein

But you really aren't changing the outlook on agents for the year. I think you said last quarter, 5,900 to 6,000. Now you're 5,800 to 6,000. Why the sizable drop in sales, given the agent count? Is it just because of the impact of the second quarter, and the steeper ramp to getting back to that agent count? Or is there something else going on?

Larry Hutchison ***- Torchmark Corporation - Co-CEO***

Well, Mark, let's think about 2012 versus 2013. These two years are developed very differently. In 2012, American Income had an 18% first quarter year over year, and an 8% first quarter. And then we really slowed sales as agent retention dropped in the third and fourth quarters. But, still, at the end of the year we had 11%. If you look at American Income we have a negative first quarter. We have a 2% first quarter. So you're looking at fairly strong third and fourth quarters to still reach that range of 3% to 6%. The reason that we think we're going to be able to grow this agency in the 3% to 6% range is these initiatives in compensation. The activity models are going to take hold in the third and fourth quarter, and we will see better results. Additionally, as we add these additional SGAs, that will start to boost some of the sales, some of the agent activity in the second half of 2013.

Gary Coleman ***- Torchmark Corporation - Co-CEO***

Mark, I would add, too, that I think in our previous guidance, we anticipated the increase in production per agent that we didn't see in the second quarter. It's going to take us a little bit longer to get to that productivity level. So I think that's why you may see about the same number of agents, but not quite as much production.

Mark Finkelstein

Okay. And then just on the direct response deferral of certain costs related to Internet distribution, I guess I'm surprised to see this change fully result in the decline. Why is that? So, that's a change in estimate it's not a change in accounting principle, is that right?

Frank Svoboda ***- Torchmark Corporation - CFO***

That is correct. This is Frank.

Mark Finkelstein

Okay

Frank Svoboda

It is a change in estimate that will be applied on a going-forward basis.

Mark Finkelstein

Okay. So, as the buildup in the deferral occurs and then the amortization, the impact will kind of slowly ease, but it will take a very long time for that to happen, essentially.

Frank Svoboda

Correct. Yes, you'll see, generally, maybe about 8% of the first year costs will result in an increase in amortization, that first year. And then it will be spread out over a long period of time as the premiums are collected on that business.

Mark Finkelstein

Okay alright. Thank you.

Mark Hughes ***- SunTrust Robinson Humphrey - Analyst***

Yes, thank you very much. Is there any opportunity for other expenses to be deferred where you might not have an adequate track record yet, but you could at some point down the road?

Frank Svoboda ***- Torchmark Corporation - CFO***

We're always taking a look to see, to look at the various expenses that we have, and evaluating them. At this point in time, there are none that we've, if you will, focused in on like we have been here on these Internet expenses, in building that historical track record.

Gary Coleman ***- Torchmark Corporation - Co-CEO***

Yes, Mark, I would add, that we took a real hard look at this on the agency expenses back in 2011. And I don't know that we see any more expenses that we can move from non-deferral to deferral there. The difference with direct response is the deferral comes under the advertising cost

rules. And those are a little bit harder to assess. As Frank said, you really have to develop information over a long period of time. I really kind of think this is probably the last in the direct response because most of the other expenses we have that are non-deferred are mostly salaries, the home office people that can be deferred. So, I think we're set now, as to how we've got our expenses defined.

Mark Hughes

Okay. Thank you.

Randy Binner ***- FBR Capital Markets - Analyst***

Hey good morning, thanks. You know I actually wanted to follow up on that deferral thing. And I apologize if I missed this. But what is the nature of the data that's changed, or you've been able to gather, that leads you to have a better deferral view on the Internet? What is it that you've captured in the data that changes that view?

Frank Svoboda ***- Torchmark Corporation - CFO***

You have to be able to develop enough of the historical data that shows that the expenses that you're incurring, those advertising expenses that you have, result in a probable future benefit that actually exceeds the amount of the expense. So you have to be able to show that those expenses result in sales, and that you have, overall, a profit margin relating from those particular activities. So they are really very similar to what we do in the insert media. These costs are essentially the same. Other than, rather than being in print, these are electronic type. And, so, at this point in time, is when we now have just gotten enough history. We have got a full five years under our belt, if you will. And the analysis of the data, we are very comfortable that we can fully support that we do, in fact, have this probable future benefit of profit.

Randy Binner

But that probable future benefits over the whole scope of that activity, right? So it's not -- do you have to hit a certain profit margin before you can say all of this activity is profitable? Because there's a lot of initiatives that go out that don't have the result of a successful sale.

Frank Svoboda

That’s right

Randy Binner

So is it like a profit margin hurdle? Is that what the hurdle is?

Frank Svoboda

Not as much of a profit margin hurdle, as much as there that the overall activity can be shown to be -- that it will, in fact, be profitable over a long period of time.

Randy Binner

Okay, interesting. But similar to what you were able to achieve over the years with the print media. That is the philosophy of it.

Frank Svoboda

Exactly.

Gary Coleman ***- Torchmark Corporation - Co-CEO***

Yes. Mark, when we applied this in 2011, we had many years of experience to draw on for both the mail side and also the insert media side. It's just that this Internet side had just really started up. We just didn't have the data there. We finally have that. And I will add to the prior question, you do have to show a profit margin to be able to defer the expenses, because you've got to be able to show that you can recover that DAC over time. So, there is a little bit of a hurdle there from a profit margin side.

Randy Binner

I appreciate it. I'm more interested in it because of the new DAC rules. And just one other clean-up question, and I apologize, too, if I missed this. But, Gary, did you lay out what the new money yield was this quarter? And if you could compare that to where you were last quarter, I would be interested in that.

Gary Coleman

Yes. I mentioned earlier that our new money rate was 4.07% for the quarter. Part of the reason it was lower than it was even in the first quarter was the fact that we had invested money short at Family Heritage in a one-time asset liability matching thing. We really would have expected to have a higher rate. It would have gotten us to 4.20%, if we would've invested that money long. We would have expected to have a little bit higher rate. But we happened to invest our money in like the first six or seven weeks of the quarter when treasury rates were lower than they were in the first quarter. So we missed the increase in the treasury rates later in the second quarter. So we expect that, going forward, we're going to invest obviously greater than 4.07%. And in our guidance for the last half of the year, we built in that we will be investing at 4.75%.

Randy Binner

That's 4.75%. That's perfect. Thank you.

Dan Welden ***- BlueCrest Capital - Analyst***

Thanks, I had two questions. One, on Liberty National you talked about it being a gradual process. Could you revisit what your long-term goals would be for growth in agent count and in sales?

Larry Hutchison ***- Torchmark Corporation - Co-CEO***

Our long-term goal for agent count at Liberty National is we'd like to have a sustainable year-in, year-out agent growth of about 10%. We know to do that we need to expand our geographic number of offices. And so I mentioned that we opened four new offices in the second quarter. Between now and the end of the year, we're going to open an additional three offices. And the new office growth is really dependent upon, as we develop middle management, we will expand geographically.

Dan Welden

Got it, thanks. And then, secondly, premium growth in life accelerated a bit year over year, maybe, in part, on your conservation efforts. What is envisioned in your full-year 2013 guidance for life premium?

Gary Coleman ***- Torchmark Corporation - Co-CEO***

Yes let's see, I think we are looking between 4% to 5%. I think we were a little over 5% during the quarter, but I think over the full year it will be 4% to 5%.

Dan Welden

Great. Thanks.

Eric Berg ***- RBC Capital Markets - Analyst***

I have just one question. The profitability at Family Heritage continues to be, on the health side of course, materially less than the overall underwriting margin in your health business. Now, I know that was anticipated when you acquired the company last November. But what is the outlook there? And, in particular, do you see the two profitability numbers moving closer over time?

Gary Coleman ***- Torchmark Corporation - Co-CEO***

Eric, we are looking at a margin of around 19% -- 18% to 20% for the year. That's what we expect for this type of business. And we don't expect that to change over time. One thing that is not reflected in the underwriting margin is, we get a little more investment income on this business because, as you remember, a lot of this is, we have a refund of premium feature after 20 years.

Eric Berg

Yes

Gary Coleman

So, no, we are happy with this margin. And I don't see it moving up any to match the margin on the other products.

Eric Berg

Is the margin on its supplemental health business, as opposed to your Medicare business, similar to that on the legacy Torchmark, your existing supplemental medical margin?

Gary Coleman

Eric, I'm not sure. When you say - are you talking about Family Heritage's supplemental?

Eric Berg

Yes. I'm trying to compare the profitability of Family Heritage supplemental medical business profitability to the profitability of the supplemental medical business of Torchmark's other distribution agencies.

Gary Coleman

I would say it's maybe a little bit higher than the non-Med Supp business in our other lines. I would say it's between, or it's more toward the Medicare supplement than it is the non-Med supp.

Eric Berg

Alright then, thank you very much.

Chris Giovanni ***- Goldman Sachs - Analyst***

Thank you so much, just one question regarding M&A pipeline, when you changed the buyback strategy, just to be a bit more conservative and consistent in terms of when you have been in the market. But is anything out there in terms of M&A that is enticing to you guys? Or can you remind us just what your potential actions would be in terms of what you would be looking for. Obviously, some form of captive distribution, but both maybe US as well as internationally.

Gary Coleman ***- Torchmark Corporation - Co-CEO***

Well Chris, it really hasn't changed over what we've talked about before. The type of companies that we would be interested in acquiring are companies that have controlled distribution -- it could be agencies or direct response -- that are in the middle income market and selling products similar to what we are doing in our other lines. That is the type of insurance that we are comfortable with and we want to sell. And, I would say, it's going to be primarily domestic, at least from what we have seen. We are still looking. There's nothing for me to report any different from last quarter. We will continue to look. As I mentioned before, we are very pleased in finding Family Heritage. And we will be on the lookout for companies similar to that because that is what we are interested in. We are not interested in companies in other lines of business. We want more of the type of business we already have.

Chris Giovanni

Okay. And is there a certain size deal you would like to try and find?

Gary Coleman

Well, as I mentioned before, we do wish that the Family Heritage may have been a little bit bigger. There is no particular size. I'd say that there's a limit to how much we would go. But each deal would stand on its own.

Chris Giovanni

Thanks so much.

Operator

(Operator Instructions)

At this time we have no further questions in the queue and I will turn the call back over to our presenters for any additional or closing remarks.

Mike Majors ***- Torchmark Corporation - VP of IR***

Alright, thank you for joining us this morning. Those are our comments. And we will talk to you again next quarter.