2nd QUARTER 2012 CONFERENCE CALL

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Mike Majors: Thank you. Good morning everyone. Joining me today are Gary Coleman and Larry Hutchinson, our Co-Chief Executive Officers, Mark McAndrew, our Executive Chairman, 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 2011 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 $127 million, or $1.30 per share — a per share increase of 19% from a year ago. Net income for the quarter was $129 million, or $1.32 per share — a 4% increase on a per share basis.

With fixed maturities at amortized cost, our return on equity was 15.8% and our book value was $33.26 — a 10% increase from a year ago. On a GAAP reported basis, with fixed maturities at market value, book value per share grew 29% to $41.38.

In our life insurance operations, premium revenue grew 4% to $451 million, and life underwriting margins increased 7% to $124 million. Net life sales increased 4% to $89 million. So far in July, sales are ahead of expectations, and our guidance for 2012 remains unchanged.

On the health side, premium revenue, excluding Part D, declined 5% to $177 million and health underwriting margin declined 2% to $40 million. Health sales were $13 million, same as the year ago quarter.

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

Larry Hutchison:

Thank you Gary.

At American Income, life premiums were up 9% to $164 million and life underwriting margin was also up 12% to $54 million. Net life sales increased 10% for the quarter to $40 million. The producing agent count at the end of the second

quarter was 5,318, up 23% from a year ago and up 4% during the quarter.

We are pleased with the continued progress at American Income and we are excited about the company's future prospects. We are seeing growth in the number of newly-hired agents who achieved our top bonus level (which is our best indicator of agent retention). The first top bonus earners were up 60% in the second quarter. Our middle management ranks also increased by 21% in the second quarter. We expect sales growth for the remainder of the year to range from 12 to 15%.

In our Direct Response operation at Globe Life, life premiums were up 5% to $158 million, and life underwriting margin declined 1% to $35 million. The decline in margin was due to unusual claim fluctuations and we expect that the loss ratios will return to previous levels for the remainder of the year. Net life sales were up 4% to $38 million.

We are also pleased with the results in direct response. Despite a difficult economy we have been able to grow our sales. We would also remind everyone of the change we initiated in our direct response underwriting in mid-2011. While improving our margins, it resulted in a reduction in our net sales due to more applications being rejected for health reasons. We expect sales growth for the remainder of the year to be in the mid-single digit range.

Liberty National premiums declined 2% to $71 million while life underwriting margin was up 21% to $18 million. Net life sales declined 18% to $8 million while net health sales declined 12% to $4 million. However, health sales increased 9% in the second quarter compared to the first quarter. The producing agent count at Liberty National ended the quarter at 1,355 - down 24% from a year ago but up 6% for the quarter.

We are very pleased with the progress being made in turning around our declines in producing agents and sales.

We are optimistic that agent growth will continue going forward which will result in improved sales at Liberty National for the balance of the year.

Premium revenue from Part D grew 60% to $78 million, while the underwriting margin increased 47% to $8 million. Part D sales for the quarter jumped 915% to $22 million due to the increase in low-income subsidized enrollees for 2012.

I will now turn the call back over to Gary.

Gary Coleman:

To complete the insurance operations, administrative expenses were $40 million for the quarter, 1% less than the year ago quarter and in line with our expectations.

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

On our website are three schedules that provide summary information regarding our portfolio as of June 30, 2012.

As indicated on these schedules, invested assets are $11.6 billion, including $11.1 billion of fixed maturities at amortized cost. There is no exposure to European sovereign debt, and there are no commercial mortgage backed securities or securities backed by sub-prime or Alt-A mortgages.

Of the fixed maturities, $10.3 billion are investment grade with an average rating of A-. Below investment grade bonds are $764 million, compared to $721 million a year ago.

The percentage of below investment grade (BIG) bonds to fixed maturities is 6.9%, compared to 6.7% a year ago. With a portfolio leverage of 3 times, the percentage of BIG bonds to equity,

excluding net unrealized gains on fixed maturities, is 24%, which is less than most of our peers.

Overall, the total portfolio is rated high BBB+, just slightly under the A- of a year ago.

We have net unrealized gains in the fixed maturity portfolio of $1.2 billion compared to $873 million in the first quarter and $156 million a year ago.

Now Regarding investment yield:

In the second quarter we invested $197 million in investment grade fixed maturities, primarily in the industrial sectors. We invested at an average annual effective yield of 4.49%, an average rating of BBB+ and an average life of 27 years. For the year, we have invested $430 million at an average rating of A-.

The new money yield of 4.49% has declined from the 5.65% yield for all of 2011 and the 4.76% yield in the first quarter of this year.

For the entire portfolio, the second quarter yield was 6.43% compared to 6.47% in the previous quarter and 6.56% in the second quarter of 2011. The decline in yield is due to the lower new money rates. As of June 30, the yield on the portfolio is 6.42%.

On July 5th, the Notice of Proposed Rulemaking regarding the 2013 changes to the capital rules for banks were issued. Subsequently, we were notified that $301 million of our $708 million on bank hybrid trust preferred securities will be called in July and August. These securities have an average yield rate of 7.18%, and assuming the call proceeds are reinvested at 4.25%, the lost annual income will be $9 million pre-tax or $6 million after tax. For 2012, the lost income will be approximately $3 million after tax, and the portfolio yield will be reduced by about 8 basis points. This amount was accounted for in our guidance.

Of the remaining bank hybrids, we anticipate that another $300 million could be called. We don't know whether any of them will be called in the last half of 2012, but expect most of them to be called by the end of 2013. These bonds yield 7.35%, and assuming the same 4.25% investment rate, the lost annual income of all these securities if all of the securities are called will be a similar $6 million after tax.

On past analyst calls we have discussed the current low interest rate environment and the impact of a "lower for longer" rate scenario. Our concern regarding an extended period of low interest rates continues to be the impact on earnings, not on the balance sheet.

To maintain our underwriting margins, we raised the new business premium rates on the majority of American Income's Life products and the Direct Response juvenile products by 5% as of January 1st of this year. These increases provide additional margin to help offset reductions to excess investment income on new policies and we did so without having a detrimental impact on sales.

However, as long as we are in this low interest rate environment the portfolio yield will continue to decline and thus pressure excess investment income. However, the decline will be slowed by the fact that on average, only 2-3% of fixed maturities will run off each year over the next five years, and that assumes the call of the $600 million of hybrid preferreds.

Last fall, we performed a stress test to determine the impact on the portfolio yield of investing all new money at 4.75% over the next 5 years. Under that scenario, we determined

that the portfolio yield at the end of 2016 would be between 5.95 and 6.10%. We have re-run the model, this time using a new money rate of 4.25% and determined that the portfolio yield at the end of 2016 would be around 5.75% to 5.85%. At these rates we would earn a small spread on the net policy liabilities, while earning the full 575- 585 bases points on our equities. Even though we don't believe our new money rate will be as low as 4.25% for the next five years, should that happen, we will still generate substantial excess investment income.

As I mentioned, an extended low interest rate environment impacts the income statement, but not the balance sheet. Since we primarily sell non interest sensitive protection products accounted for under FAS 60, we don't see a reasonable scenario that would require us to write off DAC or put up additional GAAP reserves due to interest rate fluctuations. In addition we do not foresee a negative impact on our statutory balance sheet.

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 $184 million to buy 3.9 million Torchmark shares at an average price of $47.42. Going into the second quarter we had anticipated spending approximately $90 million, which we did to acquire 1.9 million shares at an average cost of $48.54 per share. However, due to favorable market conditions, we made the decision to acquire an additional 2 million shares during the quarter. These additional shares were acquired for a total cost of $94 million, an average cost of $46.39 per share. This was less than the $48.54 per share paid to purchase the initial 1.9 million shares. For the full year through June 30, we have spent $274 million of parent company cash to acquire 5.8 million shares, at an average price of $47.53.

The available liquid assets at the parent consist of assets on hand and the expected free cash flow from operations. Free cash flow results primarily from the dividends received by the parent from the subsidiaries less the interest paid on debt and the dividends paid to Torchmark shareholders.

The parent began the year with liquid assets of $74 million. We expect to generate approximately $350 million of free cash for the entire year. Thus, the total liquid assets available for all of 2012 will be around $424 million.

During the first six months of the year, we generated about $163 million of free cash flow but spent $274 million for Torchmark share repurchases, purchasing 5.8 million Torchmark shares. The repurchases were funded by $179 million from the cash on hand and $95 million from the issuance of additional commercial paper.

As a result of this activity the parent ended the second quarter with $58 million of available liquid assets – comprised of $74 million of beginning liquid assets plus the $163 million of free cash flow less the $179 million used for share repurchases.

Going forward, along with the $58 million on hand at the end of the second quarter, we should generate approximately $184 million of free cash flow in the next two quarters giving us $242 million of total cash available for the remainder of the year. $95 million of this cash

will be used to reduce our commercial paper to its normal level, leaving us with approximately $147 million of liquid assets available between now and the end of the year. It should be noted that we have already reduced the commercial paper outstanding by approximately $90 million since June 30.

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. We also expect to retain a minimum of $50 - $60 million of liquid assets at the parent company.

Now regarding the capital level at our Insurance subsidiaries:

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 current ratings.

At December 31, 2011, consolidated RBC was 336%, and adjusted capital was approximately $46 million in excess of the amount required for the targeted 325% ratio.

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

Larry Hutchison:

Thank you Frank,

For 2012, we expect our net operating income per share will be in a range of $5.08 and $5.26 per share. Net investment income for the year will be lower than previously expected due to the hybrids being called and the lower new money yields.

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

QUESTION AND ANSWER

Vincent Lui *- Morningstar - Analyst*

Hi.

Larry Hutchison *- Torchmark Corporation – Co-CEO*

Good morning.

Vincent Lui *- Morningstar - Analyst*

Hi, good morning, hi. Thanks for taking my call. Just a question about the investment portfolio, I understand the credit ratings dipped one notch to triple B plus. How much was that would you characterize natural credit migration and how much of that was an conscious effort to increase allocations to below investment grade securities?

Gary Coleman *- Torchmark Corporation- Co- CEO*

Well first of all, we are not consciously increasing the below investment grade securities. The increase this quarter was due to downgrades. But we are not consciously moving towards lower credit rating, either. The triple B plus rounded to just, it's just under A-minus so it is only a slight difference from where we were the last several quarters. So it really has not changed that much.

Vincent Lui

Okay, and then a separate question about the agency count at Liberty. Is that really a target agency account there to turn things around and start having sales growth again?

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

I do not know what you mean by a target agency count, but it's…

Vincent Lui

Well, it has been decreasing 6% from last year, but is there a target number that you are looking at or...

Larry Hutchison

What we're looking at is to have sequential growth each quarter, and we are confident with the systems and the processes that have been changed at Liberty National we will continue to see sequential growth through the end of this year and into next year. I would expect that growth to pick up to 6%. It is only single digit but it is going to be 6%, 7%, 8% hopefully in the third and fourth quarters of this year.

Vincent Lui

Okay. Great. Thank you very much.

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

Thanks. Good morning. I wanted to follow up a little bit on the arithmetic around the calls and the trust preferred. There are different ways to look at the arithmetic on the guidance change, but if we look at the movement in the midpoint, I guess it would suggest the midpoint would maybe-has moved maybe by $0.08. I think when you walk us through the math on swapping out the coupons on the $300 million that has been called so far, you have got the $3 million after tax impact for the remainder of the calendar year which is about $0.03. So I am trying to bridge a little bit between that amount and what seems to maybe by some interpretation a bigger move in the guidance, is there another piece here which is that you might suffer a period where the funds are simply not deployed, and we need to factor that in, or how should we think about it?

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

Yes, Jeff, that's definitely a point. We had $180 million of short term investments at the end of the quarter, and we are going to be adding another $300 million very shortly. It does take a while to get that money reinvested. To answer your question as far as the additional--$0.03, the additional $0.03 comes from the fact that we are going to be slightly delayed in getting that money reinvested, but also all new money coming in besides the calls will be invested at a lower rate than we had projected previously.

Jeffrey Schuman

Okay, so the rest of it is just the general movement of rates further down.

Larry Hutchison *- Torchmark Corporation – Co- CEO*

That is right.

Jeffrey Schuman

I am sorry; you broke up a little bit when you gave the number earlier. What is the total upsize of the bank trust preferred portfolio.

Gary Coleman

We have- as of June 30 we have $708 million of bank hybrids.

Jeffrey Schuman

Bank Hybrids, $708 million, okay.

Gary Coleman

Of that, $300 million have already been called for July and August. The remaining $408 million, there is $107 million that are either not callable or they're make-whole calls, and we are not expecting those to be called. That leaves another $301 million that could be called and based on where rates are, we feel they probably will be called. You know as we talked about this on previous analyst calls, the reason these bonds are being called, there is a provision in those bonds that they can be called if there is a change in the capital rules, and they lose their capital status.

And of course, under Dodd Frank those rules are going to be changed. Those rules will be effective in 2013. So all along we felt that the $600 million of bonds would probably be called, and that they would be called in 2013. But earlier in the year, we read where some banks were looking at the fact, whenever the rules are published, which is expected to be in 2012, that would be the triggering event, not the actual implementation of the rules in 2013.

That is what happened here with these $300 million. Those banks are considering a triggering event happening when those rules or at least a notice of the rule making was issued in July. So what we do not know is of the other $300 million of potential calls, we do not know whether the banks will determine 2012 as the triggering year or whether we will have to wait 2013. We will just have to wait and see what they do.

Jeffrey Schuman

Okay, that is helpful. Just one other area quickly if I may. Part D looks like it is tracking below the 12% margin that I think you had hoped to achieve. Is it too early to conclude that maybe you just are not going to hit pricing assumptions? Or how should we think about that?

Larry Hutchison

I think it is a little too early to conclude what that pricing margin is going to be. If you look year-to-date we're really: where we are this year is where we were last year.

Jeffrey Schuman

Okay, but you did see a strong uptick in the second half. Is there some normal seasonality or some reason that we can maybe think that is likely to recur?

Gary Coleman

Yes, Jeff, there is seasonality there. In the latter part of the year we got, well probably this year too, get rebates from the government. The rebates were greater than we expected last year in the second half of the year and that helped elevate that margin.

Jeffrey Schuman

Okay, thank you.

Chris Giovanni *- Goldman Sachs - Analyst*

Thanks much, good morning. I think last quarter you talked a bit about, if you made adjustments in the investment portfolio down 100 basis points you could offset that on the margin side by raising premiums 2% to 3%. You talked about the 5% rate increase you did effective January 1. Is there any discussion around additional pricing changes you guys are looking to implement?

Larry Hutchison *- Torchmark Corporation - Co- CEO*

Gary you want to take that.

Gary Coleman – Torchmark Corporation - Co-CEO

No, we do not expect to increase the rates again because of lower interest rates. We really only needed to raise the rates about 2%. We went ahead and raised them 5% knowing that maybe rates might go down a little more. So I think even though rates have declined, I think the 5% that we implemented this year still covers that.

Chris Giovanni

Okay, and then for Frank, you know you made the comment about being opportunistic on buybacks given the share price by using the CP. If shares did get back to that level, is that another lever you guys would be willing to pull again, or was that sort of just a one-time opportunity?

Frank Svoboda *- Torchmark Corporation - CFO*

Yes, Chris, we really look at that as being more of a one-time opportunity within the year to accelerate some of the purchases really from the third quarter back into the second quarter. We've really had a philosophy of not wanting to borrow to fund the buyback program and wanted to use our existing free cash flow for those buybacks, and I would see that we will continue to do that.

Gary Coleman

Chris, I would add that it depends on the price. If the price got down to a very low level where we really felt we could not pass up buying it, we could borrow again under commercial paper, and then pay it back with free cash flow from next year.

The good thing about Torchmark is that we have the $350 million of free cash this year. Well it'll be at least $350 million again next year and year after that. So we could prefund using expected free cash flow from next year. However, I agree with Frank. I do not anticipate us doing that unless there is a significant reduction in the share price.

Chris Giovanni

Okay. And then lastly a competitor this morning talked about the rating agencies, you know forcing them to hold a higher level of capital or RBC. They said it was not due to the liability structure of their product mix, but because of the long durations of their investment portfolio, and I guess given that your investment portfolio has a longer duration than some of your peers. Have you been hearing similar messages from the rating agencies?

Gary Coleman

No, we have not. One reason may be is our portfolio is long, but our liabilities are long, too. We are matched. These other companies, there may be a mismatch in liabilities that could cause that reaction by the rating agencies. But we have not heard anything like that.

Chris Giovanni

Okay, thanks so much.

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Sarah DeWitt *- Barclays Capital - Analyst*

Hi, Good morning. I was wondering if you could elaborate on what drove the slowdown in sales growth in American Income and Direct, particularly given that the aging count in American Income continues to grow at a pretty fast pace.

Larry Hutchison *- Torchmark Corporation - Co-CEO*

There wasn't anything that drove slowdown; we were a little disappointed in June. June sales were a little lighter than expected. When we look at July we are back in excess of the 15% for sales in July. So I think it is just a one-month aberration. Again, our guidance for the year, we think American Income will be in the 12% to 15% range.

Sarah DeWitt *- Barclays Capital - Analyst*

Okay. Great and then on Liberty National I think previously you had said you expected sales growth to be positive by year end there. Is that still the case?

Larry Hutchison

That is still the case. We continue to see growth in the agents, but that is sequential growth in the agents by the fourth quarter. I think we will see year-over-year growth again.

Sarah DeWitt *- Barclays Capital - Analyst*

Great, thank you.

Randy Binner *- FBR & Co. - Analyst*

Hey, thanks; just a quick one on the preferred issues. Can you disclose if it was larger banks that were earlier to pre-pay these preferred, and you know if we could expect maybe the smaller ones to be slower to catch up?

Gary Coleman *- Torchmark Corporation - Co-CEO*

Yes, Randy, I am just looking at our list here.

Randy Binner ***- FBR & Co. - Analyst***

Or even better, specifically who pre-paid and who did not?

Gary Coleman

Well, it was the bigger banks; Bank of America, and JP Morgan. They were all of half of the calls. I am just looking at the list that's likely to be called, and they are the smaller banks.

Randy Binner ***- FBR & Co. - Analyst***

Okay, that is what we thought, and that will help us monitor it. And then I guess the pick up on what Sarah was just asking on American Income. Larry, did you say 12% to 15% for American Income is the goal?

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

Yes.

Randy Binner ***- FBR & Co. - Analyst***

Okay and then I guess kind of just looking for a little more color; maybe this is kind of a question that spans both American Income and Liberty. But you know, understand the agent counts, understand the sales manager count being higher, and obviously that has probably given you some confidence in the forward look on sales, but I mean is-- there has been training initiatives, and I think new laptop presentations and other initiatives. I would be curious on the updates of how those other initiatives may be playing into this and helping your thinking on the sales guide?

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

Sure. There is not one initiative. There are a number of initiatives. One is a laptop presentation, and we are introducing that by year end. That will be well underway at Liberty National Life Insurance Company. It took some time at Liberty National to put a team in place. As you introduce the laptop it takes some time to spread that throughout the field. At American Income we still have a number of initiatives, we are seeing better training. We are producing better data to manage the training with.

Some of the data, again, comes from the laptop presentation at American Income that is fully introduced there. That is where the data that we can track down to the agents themselves. What their performance is in terms of number of presentations, their closing rates; all that helps to retain agents. That is reflected in those numbers. We are seeing more of the first-time agents hit bonus. We are seeing middle management grow. And as middle management grows there's better training because you have middle managers that can train those new agents. So it is not one initiative. It is a number of initiatives.

Randy Binner ***- FBR & Co. - Analyst***

Yes, that is great color. Thank you.

Paul Sarran ***- Evercore Partners - Analyst***

Good morning. I just wanted to follow up first on American Income where for the last year and a half or so agent count growth has exceeded sales growth and especially a large margin over the last few quarters. Is this a trend that you think should reverse going forward? In other words,

should we see productivity start to pick back up towards historic levels as new agents mature?

Larry Hutchison - *Torchmark Corporation - Co-CEO*

Yes, I think that is correct. It is not just new agents but also the middle managers. The middle managers are more effective in terms of their training and the closing rates of sales. So I think we are a little bit level in terms of our productivity and I expect that to pick up somewhat as those agents mature.

Paul Sarran

Alright so if you kind of adjust for the fact that you have more new agents now thanks to the growth, is there anything else that is impacting productivity negatively?

Larry Hutchison

Not negatively. It's just, if you add new agents there is a little bit of a catch-up period as you have a surge of new agents. And I think we will be closer to the 15% growth at the end of the year than the 12%.

Paul Sarran

Yes, okay.

Larry Hutchison

It is year-to-year. It is not month-to-month. We are seeing improvements in those numbers.

Paul Sarran

Okay. Turning to direct response, what is it that gives you confidence that the lower margins this quarter were a one-time claims fluctuation?

Gary Coleman - *Torchmark Corporation - Co-CEO*

Well Paul for one thing, looking at the margin, I think we were at 22% just a little over 22% and 23.5% for the quarter for prior year, or 24%, for the prior quarter is 23.5%. So we are not talking about a big change. But what we did see is claims are a little bit lower in the first quarter, and I think we are caught up in the second quarter. And we think for the year that they will be right around the 45% to 46% level as they are now. We had a little bit higher amortization for the quarter. That is kind of a seasonal thing. We think that if, really if you look at the year-to-date percentages as opposed to this quarter I think that is what you're going to see for the full year.

Paul Sarran

Okay. The lower claims in the first quarter and higher in the second. Do you think any of that was reporting timing or changes in IBNR, or do you think it is random kind of fluctuation quarter to quarter?

Garry Coleman

I think it is just a little bit of a timing and it does not take much of a change in timing to effect the totals for a quarter. For the six months, though, they are about where we expected.

Paul Sarran

Okay, and on direct response sales, I was a little surprised to see sales fall sequentially. And I know there is some seasonality to it. But you also expanded circulation pretty dramatically in the second half of last year. Are the responses not coming in as much as you would have expected, or is this kind of in line?

Larry Hutchison

That is kind of in line. We expect the responses for the year to be about what they were last year. We just had a big surge in the third and fourth quarter. That takes some time for those sales to develop.

Paul Sarran

Okay, thank you.

Mark Hughes *- SunTrust - Analyst*

Yes, thank you very much. On the direct response business, are there any campaigns coming up that might lead to any increase or tougher comps perhaps, in sales activity?

Larry Hutchison *- Torchmark Corporation - Co-CEO*

There are always new campaigns at Globe Life and Accident. That is what Globe Life and Accident does, constantly they are testing new methods of distribution. We are seeing some real growth in our electronic media, and we want those sales tests to go on.

Mark Hughes *- SunTrust - Analyst*

Alright so you would expect just a consistency?

Larry Hutchison

I expect the same consistency. That's what Globe does. They continually test, and we have seen an upward tick over time. So over time I expect that to continue.

Mark Hughes *- SunTrust - Analyst*

Okay, great. Thank you.

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

Can you hear me? Hello.

Larry Hutchison *- Torchmark Corporation - CEO*

Yes, Jimmy.

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

Okay hi, just had a question on the timing of share buybacks for the second half. The stocks obviously down, but should we expect you to be buying back stock on an even basis in the third and fourth quarter, or if it declines more would you be opportunistic and do more of the buybacks in the third quarter? And then secondly, I have a question on the agent count at Liberty National. Obviously it has recovered nicely since I think

February. Anything that would suggest that the recovery might be short lived or do you expect the agent count to continue to improve?

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

I will take the second half of that first. I do not think anything we do at Liberty National is going to be instantaneous. What we will have is a slow, deliberate growth. You will see sequential growth each quarter at Liberty National. Jimmy, It takes some times to get those systems in place. We are improving the training, the lead programs, and the recruiting. All those initiatives will start at the same time and obviously with the sequential growth of agents you are seeing those get some traction. You are going to see high single digit growth in the fourth quarter, and I think we will see a stronger growth next year as those mature and the laptop is put into place around the first of the year through 2013.

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

Jimmy, as far as the share repurchases, as Frank mentioned, we came in here expecting to spend $360 million in share repurchases, and I kind of think that as of today that's where we will end up. So that means for the second half of the year you are talking around $90 million of share repurchases. We have not determined what we think the timing of that should be, but you are right. If there is an opportunistic chance to get a better yield on the purchases, we would accelerate it. But at this point we do not expect spending more than the $360 million.

Jimmy Bhullar

Gotcha, thank you

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

Gary, you mentioned a 4.25% new money yield for the updated sensitivity analysis. I am just wondering is that around the level that might be consistent with where you are currently investing new money given the more recent drop in rates? I know you were just under 4.5% for the full quarter.

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

Yes, you are right. We are just at 4.5%, and rates have dropped. And that is right around where we are investing now. Maybe a little bit higher, but we assume the 4.25% in our guidance, and that is probably where we are going to be.

John Nadel

Yes. I understand. The second one, how should we think about the outlook for part D sales from here? Obviously there's been some great momentum with the new product. I am just wondering how much longer you think that runway will last?

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

Well, long term John it is hard to address. Short term, we have submitted our pricing in June of this year. We expect CMS will publish the 2013 benchmark premiums in August. We hope that will

maintain our existing regions and possibly add a few more regions when that is published.

John Nadel

Okay, okay. And then just can you update us on the progress that you have been making on the premium retention program.

Gary Coleman - *Torchmark Corporation - Co-CEO*

Yes, our projections for this year without the conservation program we would be lapsing around $250 million worth of premiums, annual premiums, annualized. Our estimate now is that for his year we will conserve around $31 million of that; that would normally have lapsed. Of course that is an annualized amount. The actual premium collected for the year from saving that $31 million will be around $15 million.

John Nadel

Okay

Gary Coleman

That is about where--that is a little bit higher than what we projected coming into the year.

John Nadel

And how do you think about that for next year? I know whether it was a quarter or two ago you know when you originally started talking about this program, you expected to broaden it to you know to some of the additional channels. I am wondering what you are thinking about in terms of the savings you might be able to garner, looking out to 2013.

Gary Coleman

Well, I do not have a projection for 2013, but you are right, we have extended it out. At first it was primarily American Income. American Income is about 40% of it, but there is another 45% of it now that is in Direct Response, and then Liberty makes up the difference. Again, I do not have a projection for next year, but I am sure it is going to be higher because we are improving as we go along.

Larry Hutchison

And John with that, as we continue to hire within that section and train in order to expand those efforts. That is the way it�छs going to grow, we just do not have the percentage calculated. We can talk about that in the next call.

John Nadel

Okay, and I am sorry, I have just one last one. Can you just walk us through why the discount rate on the policy liabilities increased? I know it was 5.65% in the second quarter. That is up from 5.60% last quarter and 5.55% a year ago. It seems so counter intuitive with rates falling. Can you just remind us?

Gary Coleman

Yes, John, it is all related to the fact that our inforce block of business is made up of many years of issues. Really, the last two years we have

reduced the discount rate, but that is a discount rate on policies issued in the year. Going back several years ago our discount rate was more in the 6.5% to 7% range. And right now a higher percentage block of the business is at those 6% or 7% rates. As time goes by, though-

John Nadel

Ah, I got it.

Gary Coleman

They will decline and the policies issued at the lower rates will become a bigger part of the inforce, and we will have a lower discount rate. What it looks like is that discount rate will continue to increase slightly over the next two to three years, and at some point-- really at a point where it is around 5.70, 5.75 yes it will probably be 5.75 it will start- we think it will start declining at that point; if interest rates are where they are today. So, it will rise a little bit, and then it will start declining.

John Nadel

That is very helpful. Thank you very much.

Steven Schwartz- ***Raymond James and Associates - Analyst***

Hey good morning, everybody. John just asked a question that I wanted to ask on retention. So, just a quick one on the $300 million of hybrids that have not been called that are callable, that is not in this year's guidance, right?

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

Well, the impact if it is called--let us say they have to give us at least a 30-day notice on the call. Let us say they are called the actual money goes out on September 30th, and I kind of think that is the worst case. You are talking about $0.02.

Steven Schwartz

Okay

Gary Coleman

So we did include the $0.02 in the low end, but it may be less than that. As I say, we do not even know how many of them will be called in 2012.

Steven Schwartz

Okay, but it makes sense if it is going to be called, it is going to be called by 12/31 because otherwise it is you know in the capital or not, I guess not in the capital.

Gary Coleman

Well, it is a legal question though as to whether they can call them. All of the provisions are slightly different, and it is not clear cut. The banks that have called them have taken the position that the announcement of the rules is the triggering event. Some of the other banks may think that you have to have the implementation of the rules which won't be until 2013, before there is a triggering event. So, there is a legal question probably that they are looking at. Again, we do not know how they will look at them. So we do not know if they will call them in 2012 or not.

Steven Schwartz

Okay alright great. That is all I had left over.

Ed *Foden - Nomura*

Good morning, I was hoping you could quantify how much capital will be freed up as the $600 million of preferreds are called and what the use would be of that capital?

Frank Svoboda - Torchmark Corporation - CFO

Yes, Ed. It looks like there is a portion of the known calls that we have, there is a portion of that in fact would be NAIC category three and four. So we will get some capital relief out of that. Out of the known--right now it would appear that it is maybe about $12 million of statutory capital that would be freed up.

If, in fact, the other $300 million of the bank hybrids are, in fact, called before the end of the year, then an additional roughly $30 million of statutory capital would be freed up as well. So remember - that is sitting down in the statutory - in the insurance companies. And so just depending upon the other course of events over the remainder of the year as whether or not we will end up getting that money out before the end of the year or from the 2013 or if we need to leave it in there to meet our RBC levels.

Ed Foden

Thank you.

Gary Coleman

And Ed, I might add that just looking at the credit quality of the portfolio, that of the $300 million that have been called, $85 million are below investment grade, so our below investment grade bonds will decline at $85 million. If the other $300 million are called, below investment grade bonds will decline by another $170 million. So the additional capital and the fact that we are losing some below grade bonds is a slight positive to these calls.

Ed Foden

Thank you.

Mike Majors *- Torchmark Corporation - VP, IR*

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