TORCHMARK CORPORATION
4th QUARTER 2007 CONFERENCE CALL
February 7, 2008

Corporation Participants
Mark McAndrew, Chairman and CEO
Gary L. Coleman, EVP and CFO
Larry Hutchison, EVP & General Counsel
Rosemary Montgomery, EVP and Chief Actuary
Joyce Lane, VP Investor Relations

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

Some of my comments or answers to your questions may contain forward-looking statements that are provided for general guidance purposes only. Accordingly, please refer to our 2006 10-K, which is on file with the SEC.

Net operating income for the fourth quarter was $132 million, or $1.41 per share – a per share increase of 8% from a year-ago. For the year, net operating income was $522 million, or $5.45 a share – an increase of 9.2% on a per share basis. Our return on equity was 15.8% and our book value per share was $36.26 – a 9% increase from a year ago.

In our life insurance operations, premium revenue grew 3% to $393.5 million and life underwriting margins increased 6% to $108 million. As a percentage of premium revenue, life underwriting margins were 28% versus 27% a year ago. Life insurance net sales were $68.3 million – up 12% from the fourth quarter of 2006, with our three largest life distribution channels contributing double-digit growth. To our knowledge, this marked the first time in our history that all three of these distribution systems experienced double-digit growth in sales during the same quarter.

At American Income, life premiums grew 8% to $114 million for the quarter. Life underwriting margin was up 14% to $35 million. Net life insurance sales increased 15% to $24.2 million with first-year collected premiums growing 5% to $19 million.

I am very pleased with the results at American Income. Sales growth improved each quarter during 2007 and we enter 2008 with significant momentum. I now have a high level of confidence that we can sustain this positive momentum through 2008 and beyond.

The compensation changes we implemented in July at American Income appear to have had a positive impact on both agent retention and productivity. We are continuing to make progress in our efforts to centralize the lead generation function at American Income which eliminates the need for exclusive territories. We believe this change will be instrumental in achieving our long-term growth objectives.

In our Direct Response operation, life premiums were up 6% to $120 million and life underwriting margin increased 8% to $29 million for the quarter. As expected, net life sales grew 12% to $29 million, primarily as a result of increased insert media circulation during the prior quarter.

We anticipate continued double-digit growth in Direct Response life sales during the first half of 2008. Predicting sales beyond that point is difficult because it is dependent upon our ongoing efforts to find better products and packaging, and identify other forms of media, and to better isolate our target markets.

At Liberty National, life premiums declined 2% to $72 million and life underwriting margin was down 1% to $21 million. Net life sales grew 12% for the quarter to $10.3 million.

New sales at Liberty National were a pleasant surprise. While we implemented some significant compensation changes at Liberty National at the start of the fourth quarter, I have to give credit for this turnaround to the sales management team at Liberty National. They have embraced the changes that we have made and they have performed well beyond my expectations. I am excited about our growth prospects in 2008.

On the health side, premium revenue, excluding Part D, declined 2% to $252.5 million while health underwriting margin increased 1% to $46 million. Health net sales were down 8% for the quarter to $59 million.

For the Independent Agency operation at United American, health premiums declined 8% to $93 million and the health underwriting margin was down 6% to $16 million. Net health sales grew 18% to $16 million as a result of a $4 million increase in our group Medicare supplement business.

On the Branch Office side, health premiums were up 3% to $96 million and health underwriting margin was also up 3% at $14 million. Net health sales were down 18% in the Branch Office to $36 million and first-year collected premiums were down 4% to $29.5 million.

The Branch Office sales were a disappointment. As I mentioned on the last call, the decline in our Branch Office sales has been caused by overly-rapid expansion of our branch offices. We not only promoted significant numbers of our best producing agents into management, our selection criteria for management candidates were not up to our previously established standards. As a result of turnover and demotions, our field management ranks have declined 16% since the end of the third quarter which has significantly impacted our new agent recruiting.

You may recall that we transferred Andy King in 2006 from United American to become President and Chief Marketing Officer at Liberty National. We have now assigned Andy dual responsibility for both United American and Liberty National and I am confident we will have the Branch Office back on track by mid-year.

Premium revenue from Medicare Part D was down 8% for the quarter to $52 million and our underwriting margin declined 21% to $6.7 million. For the full year, Part D revenues increased 1% with a 5% decline in underwriting margin.

Administrative expenses increased 2% for the quarter to $38.9 million, but declined slightly for the full year as we expected.

Parent company expenses were up $1.9 million for the quarter; most of which resulted from expenses related to an unsuccessful acquisition attempt during the quarter.

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

Gary Coleman: Thanks, Mark.

I want to spend a few minutes discussing investments, excess investment income, and share repurchases.

First, investments. Torchmark has $9.3 billion of bonds at amortized cost, which comprise 94% of invested assets. Of our bonds, 92% are corporate bonds and hybrid securities. Less than 1% of bonds are in residential or commercial mortgage-backed securities, and none of those are backed by sub-prime or Alt -A mortgages.

Overall, the total portfolio is rated A-, the same as a year ago.

Regarding new investments. We invest almost exclusively in investment grade corporate bonds and hybrid securities. In the fourth quarter, we invested $348 million at an average annual effective yield of 7.09%, an average life to worst call of 32 years and an average rating of A-. This compares to the 6.65% yield, 22 year average life and A- rating of bonds acquired in the fourth quarter of last year.

The new money yield for the quarter exceeded the portfolio yield; however, for the full year, the new money yield was just slightly lower than the portfolio yield. At December 31st, the average yield on the portfolio was 6.96%, 6 basis points lower than a year ago.

Now, turning to excess investment income. It was $80 million, the same as a year ago; however, on a per share basis, excess investment income increased 8%, which reflects the effect of our share repurchase program.

Excess investment income is net investment income less the interest cost on the net policy liabilities and the financing costs of our debt. As mentioned in the earnings press release, both investment income and interest expense were $3.6 million higher than usual in the fourth quarter of 2006 due to the pre-funding of debt that was retired late in that quarter. For the year-over-year comparison of the components of excess investment income, I will exclude the effects of the pre-funding from the fourth quarter 2006 numbers. With that in mind, the comparison is as follows:

- First, net investment income was up $7 million. However, taking into consideration the $256 million of municipal bonds acquired earlier this year, or earlier in 2007, total investment income, on a tax equivalent basis, was up $8 million. This represents a 5% increase in income, slightly lower than the 6% increase in average invested assets.

- Next, the interest costs on the net policy liabilities increased $5 million, or 8%, due primarily to a 7% increase in the average liabilities; and

- Lastly, financing costs were up $2 million due to higher average short-term debt outstanding.

Regarding our share repurchase program. In 2007, we spent $402 million to buy 6.1 million Torchmark shares. We used our $358 million of free cash flow and $44 million of short-term borrowings to fund these purchases.

In 2008, we expect free cash flow to once again be around $360 million. The reason that it will be about the same as last year is that 2007 free cash flow included a $36 million extraordinary dividend from one of our subsidiaries.

With our debt at an appropriate level, and given the low interest rate environment, we feel that the best use of our free cash would be a strategic acquisition. Absent an acquisition, stock repurchases will be the best use of our available cash.

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

Mark McAndrew: Thank you, Gary.

For 2008, we project net operating income per share will be in the range of $5.88 to $5.94 per share. This projection assumes that we will continue to invest our free cash flow in our share repurchase program.

Those are my comments. I will now open it up for questions.

Jimmy Bhullar, J. P. Morgan: Thank you. Good morning. I have a couple of questions. The first one is on your outlook for health sales. If you can talk about just the decline in the agent count at UA Branch and then what caused that. What your outlook is in terms of how long it's going to take for you to turn that around. I do realize that you are making some changes. And then how do you look – how does health sales look for the first half of the year given the decline in the agent count?

And then secondly, on acquisition, you mentioned you have an interest in doing deals. I think the unsuccessful acquisition that you mentioned in the fourth quarter release was in the health business. If you can talk about which areas of your business you are targeting in terms of M&A activity and what the environment is out there?

Mark McAndrew: All right. Well, first off, on health sales. I do believe it will take us a couple of quarters to get our health sales turned around. Again, we opened a substantial number of new offices in the last year and a half, and we've experienced some turnover, particularly at the branch manager level. I think at the end of the third quarter we only had two openings there and by the end of the quarter we were up to about seventeen. And that has impacted our new agent recruiting. We are working to fill those vacancies with qualified people, and I have every confidence that we will do that in the first half of this year. But we really think it will be the second half before we start to seeing growth in health sales. Our guidance, I believe, let's see – for the year even though we expect growth in our health sales in the second half of the year, we are projecting between 4% and 5% decline for the full year.

Jimmy Bhullar: Okay. And the one thing that seems interesting is in United American Branch your life sales are still increasing. They have been increasing for the last several quarters even though health sales have been weak. Is there a product issue there? I realize life is a small part of the business. If you can talk about that also?

Mark McAndrew: Yes, it's something I think we have talked about on prior calls. We did make some changes a couple of quarters back to where we made a concerted effort to try to generate more life sales in conjunction with our health sales because most of the people – well the people that we are selling health insurance to basically have no health insurance and they also have very little or no life insurance. So we are seeing more life insurance sales being made in conjunction with the health sales. But overall, our health sales have declined. So as the health sales turnaround, the life sales will continue to grow also.

As far as acquisition, Jimmy, yes, the one we were unsuccessful was primarily in the health business. We would prefer to have life. But the thing about that particular company, their health products were supplemental products that we felt very comfortable with; that have very predictable and stable loss ratios and margins; had very good and consistent cash flow. So even though it was primarily health, it would have been a good fit for us. One of the things we are looking for in a potential acquisition is controlled distribution, which made that attractive.

So either a captive agency force or something in direct response would be our preference. But we would consider anything in the life and health field, but as long as it's products that we are comfortable with.

Jimmy Bhullar: Okay. Thank you.

Mark Finkelstein, Fox Pitt Kelton: Hi, good morning. I've got a few questions. I guess, just to go back to the prior comment – what I'm trying to reconcile is I believe you talked on the last quarter call about taking some of your producers in the health side and moving them into management positions. And now we are kind of talking about, I guess, some retention issues at the branch manager level? Can you just kind of reconcile those two things?

Mark McAndrew: Well, I can. It's really a combination of the two. I don't have my last quarter comments in front of me. But we did rapidly expand both our branch managers as well as our middle manager levels, which basically the people we are promoting were the better producing agents. So that did have a rather immediate impact on our sales. Unfortunately, also what we are now seeing in the fourth quarter is by expanding that rapidly, some of the people we were promoting really weren't ready to be promoted and we weren't able to make those people successful. So we've seen basically people fail in that position, and we have got to replace those people, and that's going to take us a quarter or two to get those positions filled.

Mark Finkelstein: Okay, just moving on. On the Liberty National margin – margin was higher in the quarter. Was that kind of an anomaly with fourth quarter tending at times to have good performance, or do you see that as a sustainable going forward?

Mark McAndrew: Rosemary, I will let you take that if you want to.

Rosemary Montgomery: I think that the margin is sustainable going forward. We did have – I am trying to look back at the numbers here. You are comparing it back to the fourth quarter. Yes, I would say that the margin does fluctuate a little bit during the year and we actually had really quite a bit different seasonal pattern in claims for 2007 than we have had in prior years. So actually, I would say that the year-to-date margin for all of 2007 is more what I would look at in terms of what I think is sustainable going forward.

Mark Finkelstein: Okay, great. And then you redomesticated some subs – I guess I'm curious about the progress or status in terms of actually merging stat subs. And do have an estimate on kind of, you know, what would be the capital freed-up if you were to go this route?

Mark McAndrew: Okay, you're right. We have redomesticated some of our subsidiaries to Nebraska. We saw an immediate savings there in our premium tax rate of, I think, $2 to $2.5 million. The goal – we probably will, I think, in the next twelve months merge United American and Liberty National into one entity. There's significant cost savings there. But, Gary, I guess I would have you comment on what you think we might free-up as far as capital.

Gary Coleman: Mark, we will free-up some capital. I don't have a good estimate on that at the moment. I am kind of waiting on our year end statutory numbers to do that. I don't know that it is going to be that significant but there will be additional capital.

Mark Finkelstein: Okay, great. Thank you, guys.

Ed Spehar, Merrill Lynch: Thank you. Just one quick question, Gary, on free cash flow in going forward. You know, I think for a long time now you've been dividending up all of statutory income and I'm wondering – is there any, I think you suggested that this year would be down from last year because you

are not going to take a special dividend. I think that's what you said. Is there any reason to think that the ratio of sort of free cash to stat earnings is changing at all? Thanks.

Gary Coleman: No, Ed. What I mentioned is that our free cash flow for last year was a little higher because we did get $36 million extraordinary dividend that is a one-time item. Going forward, I think you'll continue to see our cash, free cash, grow and I think the question is whether we can continue to take the earnings of the companies out. And the answer is for the foreseeable future I don't see a problem with this taking all of the earnings as we've done. We were at a capital level that is more than sufficient now and our statutory earnings are growing at a little bit higher rate than the capital requirements are. You've got to remember with the type of assets we have and the products we have the capital requirements are less volatile and they grow at a pretty consistent pace. So because of that, I think that our capital will grow sufficiently even with taking the earnings out as dividends. And on top of that, I think for our ratings we are in an excess capital situation.

Ed Spehar: Thank you.

Mark McAndrew: Well, thanks, everyone, for joining us. Those are our comments today, and we will talk to you next quarter. Thanks.