

# TORCHMARK CORPORATION

## Operating Summary (Unaudited) (In thousands, except per share amounts)

9 Months Ended			3Q	2Q	1Q	4Q	3Q
9/03	9/02		2003	2003	2003	2002	2002
		<b>UNDERWRITING INCOME</b>					
		Life:					
\$976,864	\$912,198	Premium	\$329,540	\$326,764	\$320,560	\$308,545	\$307,296
-424,587	-399,395	Net Policy Obligations	-142,580	-142,503	-139,504	-135,112	-131,394
-310,547	-290,550	Commissions and Acquisition Expenses	-105,290	-103,504	-101,753	-96,465	-98,966
<u>241,730</u>	<u>222,253</u>	Underwriting Margin	<u>81,670</u>	<u>80,757</u>	<u>79,303</u>	<u>76,968</u>	<u>76,936</u>
		Health:					
774,306	768,143	Premium	255,324	256,576	262,406	250,977	251,068
-503,085	-495,273	Net Policy Obligations	-164,259	-168,806	-170,020	-163,287	-162,321
-147,888	-145,534	Commissions and Acquisition Expenses	-49,590	-48,472	-49,826	-47,539	-47,631
<u>123,333</u>	<u>127,336</u>	Underwriting Margin	<u>41,475</u>	<u>39,298</u>	<u>42,560</u>	<u>40,151</u>	<u>41,116</u>
<u>7,806</u>	<u>10,631</u>	Annuity Underwriting Margin	<u>2,969</u>	<u>2,629</u>	<u>2,208</u>	<u>2,790</u>	<u>2,541</u>
372,869	360,220	Total Underwriting Margin	126,114	122,684	124,071	119,909	120,593
2,262	3,101	Other Income	403	826	1,033	805	1,192
<u>-97,472</u>	<u>-93,033</u>	Admin. Expenses	<u>-32,721</u>	<u>-31,239</u>	<u>-33,512</u>	<u>-31,572</u>	<u>-31,537</u>
277,659	270,288	Underwriting Income	93,796	92,271	91,592	89,142	90,248
		<b>EXCESS INVESTMENT INCOME</b>					
413,294	389,683	Net Investment Income	139,280	137,673	136,341	132,636	131,489
		Required Interest:					
-152,675	-143,733	Net Policy Liabilities	-51,524	-51,375	-49,776	-49,074	-48,634
		Financing Costs:					
-33,187	-34,700	Interest on Debt	-10,985	-11,065	-11,137	-11,248	-11,460
-8,735	-8,738	Trust Preferred Dividend	-2,911	-2,913	-2,911	-2,913	-2,913
<u>19,625</u>	<u>17,166</u>	Interest Rate Swaps	<u>6,706</u>	<u>6,481</u>	<u>6,438</u>	<u>5,920</u>	<u>5,689</u>
238,322	219,678	Total Excess Investment Income	80,566	78,801	78,955	75,321	74,171
		<b>OTHER</b>					
-7,724	-8,055	Parent Companies	-2,343	-2,820	-2,561	-2,468	-2,598
<u>-2,815</u>	<u>-2,824</u>	Tax Equivalent Adjustment	<u>-1,008</u>	<u>-902</u>	<u>-905</u>	<u>-877</u>	<u>-908</u>
<u>-10,539</u>	<u>-10,879</u>		<u>-3,351</u>	<u>-3,722</u>	<u>-3,466</u>	<u>-3,345</u>	<u>-3,506</u>
505,442	479,087	Pre-Tax Operating Income	171,011	167,350	167,081	161,118	160,913
<u>-173,029</u>	<u>-161,816</u>	Income Tax	<u>-58,719</u>	<u>-57,231</u>	<u>-57,079</u>	<u>-54,780</u>	<u>-54,529</u>
<b>\$332,413</b>	<b>\$317,271</b>	<b>Adjusted Net Operating Income</b>	<b>\$112,292</b>	<b>\$110,119</b>	<b>\$110,002</b>	<b>\$106,338</b>	<b>\$106,384</b>
<b>\$2.87</b>	<b>\$2.61</b>	<b>EPS on a Diluted Basis</b>	<b>\$0.98</b>	<b>\$0.95</b>	<b>\$0.93</b>	<b>\$0.90</b>	<b>\$0.89</b>
115,915	121,334	Average Diluted Shares Outstanding	114,254	115,763	117,784	118,719	119,506
-8,609	-51,381	Capital Gain (Loss), Net of Tax	\$1,488	-\$2,019	-\$8,078	-\$349	\$598
<u>-5,697</u>	<u>12,351</u>	Capital Gain (Loss), Net of Tax - Interest Rate Swaps	<u>-5,898</u>	<u>1,492</u>	<u>-1,291</u>	<u>-797</u>	<u>10,393</u>
<u>\$318,107</u>	<u>\$278,241</u>	Net Income	<u>\$107,882</u>	<u>\$109,592</u>	<u>\$100,633</u>	<u>\$105,192</u>	<u>\$117,375</u>

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	3Q 2003	%	3Q 2002	%	3Q 2003	%	3Q 2002	%	3Q 2003	3Q 2002
<b>LNL Exclusive Agency</b>										
Premium	76,063		75,360		41,577		40,257			
Net Policy Obligations	35,401	47	34,326	46	31,110	75	29,477	73		
Comm. & Acq. Exp.	23,525	31	22,816	30	7,544	18	7,170	18		
Underwriting Margin	<u>17,137</u>	23	<u>18,218</u>	24	<u>2,923</u>	7	<u>3,610</u>	9		
<b>UA Independent</b>										
Premium	13,291		12,877		113,859		114,170			
Net Policy Obligations	6,294	47	5,808	45	71,187	63	72,380	63		
Comm. & Acq. Exp.	5,705	43	5,371	42	21,065	19	21,147	19		
Underwriting Margin	<u>1,292</u>	10	<u>1,698</u>	13	<u>21,607</u>	19	<u>20,643</u>	18		
<b>UA Branch Office Agency</b>										
Premium	4,627		4,933		78,210		78,295			
Net Policy Obligations	2,333	50	2,563	52	50,049	64	51,205	65		
Comm. & Acq. Exp.	1,574	34	1,662	34	16,740	21	15,659	20		
Underwriting Margin	<u>720</u>	16	<u>708</u>	14	<u>11,421</u>	15	<u>11,431</u>	15		
<b>Direct Response</b>										
Premium	87,734		79,729		7,371		5,123			
Net Policy Obligations	41,597	47	38,551	48	5,908	80	4,259	83		
Comm. & Acq. Exp.	24,574	28	21,936	28	683	9	309	6		
Underwriting Margin	<u>21,563</u>	25	<u>19,242</u>	24	<u>780</u>	11	<u>555</u>	11		
<b>American Income Agency</b>										
Premium	79,916		70,576		14,307		13,223			
Net Policy Obligations	27,376	34	22,481	32	6,005	42	5,000	38		
Comm. & Acq. Exp.	29,085	36	26,533	38	3,558	25	3,346	25		
Underwriting Margin	<u>23,455</u>	29	<u>21,562</u>	31	<u>4,744</u>	33	<u>4,877</u>	37		
<b>Military</b>										
Premium	42,136		37,691							
Net Policy Obligations	19,087	45	16,779	45						
Comm. & Acq. Exp.	12,635	30	11,193	30						
Underwriting Margin	<u>10,414</u>	25	<u>9,719</u>	26						
<b>Other Distribution</b>										
Premium	25,773		26,130						7,334	9,278
Net Policy Obligations	10,492	41	10,886	42					-297	386
Comm. & Acq. Exp.	8,192	32	9,455	36					4,662	6,351
Underwriting Margin	<u>7,089</u>	28	<u>5,789</u>	22					<u>2,969</u>	<u>2,541</u>
<b>Totals:</b>										
Premium	329,540		307,296		255,324		251,068		7,334	9,278
Net Policy Obligations	142,580	43	131,394	43	164,259	64	162,321	65	-297	386
Comm. & Acq. Exp.	105,290	32	98,966	32	49,590	19	47,631	19	4,662	6,351
Underwriting Margin	<u>81,670</u>	25	<u>76,936</u>	25	<u>41,475</u>	16	<u>41,116</u>	16	<u>2,969</u>	<u>2,541</u>
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					126,114		120,593			
Other Income					403		1,192			
Administrative & Other Expenses					<u>-32,721</u>		<u>-31,537</u>			
Insurance Underwriting Income					<u>93,796</u>		<u>90,248</u>			

# TORCHMARK CORPORATION

Insurance Operations (Unaudited)  
(In thousands)

	LIFE				HEALTH				ANNUITY	
	YTD 9/03	%	YTD 9/02	%	YTD 9/03	%	YTD 9/02	%	YTD 9/03	YTD 9/02
<b>LNL Exclusive Agency</b>										
Premium	228,871		226,572		122,363		119,592			
Net Policy Obligations	109,433	48	106,674	47	93,403	76	86,976	73		
Comm. & Acq. Exp.	69,237	30	67,264	30	21,978	18	21,249	18		
Underwriting Margin	50,201	22	52,634	23	6,982	6	11,367	10		
<b>UA Independent</b>										
Premium	39,512		37,591		352,804		352,523			
Net Policy Obligations	18,173	46	17,801	47	222,679	63	223,499	63		
Comm. & Acq. Exp.	16,878	43	15,701	42	65,273	19	65,242	19		
Underwriting Margin	4,461	11	4,089	11	64,852	18	63,782	18		
<b>UA Branch Office Agency</b>										
Premium	14,137		14,710		237,281		240,888			
Net Policy Obligations	7,052	50	7,807	53	154,081	65	157,195	65		
Comm. & Acq. Exp.	4,929	35	4,917	33	48,556	20	48,178	20		
Underwriting Margin	2,156	15	1,986	14	34,644	15	35,515	15		
<b>Direct Response</b>										
Premium	261,916		237,440		20,400		16,345			
Net Policy Obligations	123,988	47	114,576	48	16,345	80	13,153	80		
Comm. & Acq. Exp.	73,525	28	65,941	28	1,677	8	1,170	7		
Underwriting Margin	64,403	25	56,923	24	2,378	12	2,022	12		
<b>American Income Agency</b>										
Premium	231,785		205,061		41,458		38,795			
Net Policy Obligations	79,000	34	69,186	34	16,577	40	14,450	37		
Comm. & Acq. Exp.	84,212	36	74,233	36	10,404	25	9,695	25		
Underwriting Margin	68,573	30	61,642	30	14,477	35	14,650	38		
<b>Military</b>										
Premium	123,021		110,076							
Net Policy Obligations	57,004	46	51,385	47						
Comm. & Acq. Exp.	36,640	30	32,894	30						
Underwriting Margin	29,377	24	25,797	23						
<b>Other Distribution</b>										
Premium	77,622		80,748						22,967	30,078
Net Policy Obligations	29,937	39	31,966	40					133	-1,292
Comm. & Acq. Exp.	25,126	32	29,600	37					15,028	20,739
Underwriting Margin	22,559	29	19,182	24					7,806	10,631
<b>Totals:</b>										
Premium	976,864		912,198		774,306		768,143		22,967	30,078
Net Policy Obligations	424,587	43	399,395	44	503,085	65	495,273	64	133	-1,292
Comm. & Acq. Exp.	310,547	32	290,550	32	147,888	19	145,534	19	15,028	20,739
Underwriting Margin	241,730	25	222,253	24	123,333	16	127,336	17	7,806	10,631
<b>TOTAL UNDERWRITING MARGINS, ALL LINES</b>					372,869		360,220			
Other Income					2,262		3,101			
Administrative & Other Expenses					<u>-97,472</u>		<u>-93,033</u>			
Insurance Underwriting Income					<u>277,659</u>		<u>270,288</u>			

**TORCHMARK CORPORATION**  
Insurance Sales and In Force (Unaudited)  
(In thousands)

SALES	YTD 9/03	YTD 9/02	% Incr (Decr)	3rd Qtr. 2003	3rd Qtr. 2002	% Incr (Decr)
<b>LIFE</b>						
Direct Response	\$117,455	\$91,436	28	\$40,813	\$30,774	33
LNL Exclusive Agency	39,913	42,430	-6	12,636	14,001	-10
American Income Agency	78,034	68,820	13	28,191	24,625	14
Military	19,827	17,621	13	6,673	5,882	13
UA Branch Office Agency	2,236	4,765	-53	717	1,352	-47
UA Independent	16,692	19,835	-16	5,064	6,983	-27
Other Distribution	4,908	5,913	-17	1,678	1,980	-15
Total Life	<u>279,065</u>	<u>250,820</u>	<u>11</u>	<u>95,772</u>	<u>85,597</u>	<u>12</u>
<b>HEALTH</b>						
Direct Response	12,147	6,315	92	4,053	381	964
LNL Exclusive Agency	8,503	9,248	-8	3,054	3,077	-1
American Income Agency	9,522	8,539	12	3,368	2,949	14
UA Branch Office Agency	59,280	55,199	7	21,346	16,370	30
UA Independent	76,455	70,668	8	26,756	24,507	9
Total Health *	<u>165,907</u>	<u>149,969</u>	<u>11</u>	<u>58,577</u>	<u>47,284</u>	<u>24</u>
TOTAL SALES	\$444,972	\$400,789	11	\$154,349	\$132,881	16
* Includes Med Supp Sales	\$58,954	\$77,795	-24	\$17,359	\$19,211	-10

**IN FORCE AT END OF PERIOD**

	3Q 03	3Q 02	\$ Incr (Decr)	% Incr (Decr)
<b>LIFE</b>				
Direct Response	\$393,278	\$351,887	\$41,391	12
LNL Exclusive Agency	320,346	318,468	1,878	1
American Income Agency	334,134	294,293	39,841	14
Military	173,777	154,718	19,059	12
UA Branch Office Agency	20,072	21,742	-1,670	-8
UA Independent	58,580	57,816	764	1
Other Distribution	122,128	128,455	-6,327	-5
Total Life	<u>1,422,315</u>	<u>1,327,379</u>	<u>94,936</u>	<u>7</u>
<b>HEALTH</b>				
Direct Response	33,188	23,075	10,113	44
LNL Exclusive Agency	178,396	169,769	8,627	5
American Income Agency	53,294	49,863	3,431	7
UA Branch Office Agency	319,838	320,747	-909	0
UA Independent	478,635	474,870	3,765	1
Total Health **	<u>1,063,351</u>	<u>1,038,324</u>	<u>25,027</u>	<u>2</u>
TOTAL IN FORCE	\$2,485,666	\$2,365,703	\$119,963	5
** Includes Med Supp In Force	\$695,549	\$728,105	-\$32,556	-4

**TORCHMARK CORPORATION**  
**CONSOLIDATED BALANCE SHEET (UNAUDITED)**  
(Amounts in thousands)

	At September 30,	
	2003	2002
<b>Assets</b>		
Investments:		
Fixed maturities available for sale *	\$7,969,467	\$7,067,639
Equity securities available for sale	58,356	10,236
Mortgage loans	119,694	119,284
Real estate	14,769	13,127
Policy loans	289,418	275,187
Other long-term investments	69,792	84,188
Short-term investments	39,540	32,193
Total investments	8,561,036	7,601,854
Cash	10,496	4,622
Accrued investment income	147,394	137,186
Other receivables	80,011	73,253
Deferred acquisition costs	2,286,956	2,141,813
Value of insurance purchased	91,646	105,041
Property and equipment	31,725	33,851
Goodwill	378,436	378,436
Other assets	12,931	11,730
Separate account assets	1,616,708	1,680,810
Total assets	\$13,217,339	\$12,168,596
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Future policy benefits	\$6,091,633	\$5,600,850
Unearned and advance premium	97,477	94,911
Policy claims and other benefits payable	243,861	247,730
Other policy liabilities	85,850	82,456
Accrued income taxes	911,292	705,950
Short-term debt	170,942	178,194
Long-term debt	697,697	552,132
Other liabilities	128,849	121,275
Separate account liabilities	1,616,708	1,680,810
Total liabilities	10,044,309	9,264,308
Trust preferred securities **	0	144,422
Shareholders' equity:		
Preferred stock	0	0
Common stock	118,784	126,801
Additional paid-in-capital	521,745	554,159
Unrealized investment gains (losses), net of tax	405,693	168,704
Retained earnings	2,340,873	2,223,578
Treasury stock, at cost	-214,065	-313,376
Total shareholders' equity	3,173,030	2,759,866
Total liabilities and shareholders' equity	\$13,217,339	\$12,168,596
Diluted Basis:		
Shares outstanding	113,765	118,812
Book value per common share	\$27.89	\$23.23
Book value per common share excluding FAS 115	\$24.35	\$21.73
* Amortized cost of fixed maturities	\$7,310,395	\$6,775,155

\*\* In accordance with FAS 150, effective 7-1-03, trust preferred securities are classified as long term debt.

**TORCHMARK CORPORATION**

Fixed Maturities  
(Millions of \$)  
September 30, 2003

**Total Fixed Maturities**

	<u>9/30/03</u>	<u>12/31/02</u>
Amortized Cost	\$7,310	\$6,889
Unrealized:		
Gains	709	482
Losses	<u>-50</u>	<u>-177</u>
Market	\$7,969	\$7,194

**Fixed Maturities at 9/30/03**

	<u>Amort. Cost</u>	<u>Gains</u>	<u>Unrealized Losses</u>	<u>Net</u>	<u>Market</u>	<u>Ratings</u>
Investment Grade	\$6,551	672	-21	651	7,202	A3/A-
Below Investment Grade	<u>760</u>	<u>37</u>	<u>-29</u>	<u>8</u>	<u>768</u>	B1/B+
Total	\$7,310	709	-50	659	7,969	Baa1/BBB+

**Duration / Average Life:**

	<u>9/30/03</u>	<u>12/31/02</u>
Duration	6.4	5.9
Average Life to:		
Worst Call	10.8	9.6
Maturity	14.3	13.6

**Below Investment Grade Bonds**

	<u>3Q'03</u>	<u>2Q'03</u>	<u>1Q'03</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Beginning of Period	\$716	\$722	\$656	559	393	
Purchases	0	2	0	33	100	
Dispositions	-17	-47	-16	-121	-124	
Writedowns	0	0	-10	-89	-17	
Net Downgrades	<u>61</u>	<u>38</u>	<u>92</u>	<u>274</u>	<u>207</u>	
End of Period	\$760	\$716	\$722	656	559	393
% of Total Invested Assets (excluding FAS 115)	9.6%	9.2%	9.4%	8.8%	7.9%	5.9%