

TORCHMARK CORPORATION
Operating Summary
(Unaudited)
(Amounts in thousands, except per share data)

Six Months Ended June 30,			Q2	Q1	Q4	Q3	Q2
2019	2018		2019	2019	2018	2018	2018
		Underwriting income					
		Life:					
\$ 1,255,490	\$ 1,200,837	Premium	\$ 631,201	\$ 624,289	\$ 600,171	\$ 605,547	\$ 602,534
(491,478)	(485,600)	Net policy obligations	(245,448)	(246,030)	(233,507)	(236,643)	(241,233)
(381,418)	(363,133)	Non-deferred commissions and amortization	(191,949)	(189,469)	(180,421)	(182,343)	(182,108)
(37,705)	(36,106)	Non-deferred acquisition expense	(18,754)	(18,951)	(18,536)	(17,965)	(18,016)
344,889	315,998	Underwriting margin	175,050	169,839	167,707	168,596	161,177
		Health:					
532,966	503,238	Premium	266,282	266,684	256,900	255,201	251,440
(297,352)	(279,950)	Net policy obligations	(148,831)	(148,521)	(144,386)	(141,609)	(139,735)
(101,508)	(93,832)	Non-deferred commissions and amortization	(50,998)	(50,510)	(48,322)	(47,474)	(46,151)
(12,433)	(11,870)	Non-deferred acquisition expense	(6,294)	(6,139)	(5,978)	(5,865)	(6,016)
121,673	117,586	Underwriting margin	60,159	61,514	58,214	60,253	59,538
4,781	5,152	Annuity underwriting margin	2,365	2,416	2,660	2,564	2,566
471,343	438,736	Total underwriting margin	237,574	233,769	228,581	231,413	223,281
639	764	Other income	398	241	56	416	441
(118,607)	(110,748)	Administrative expense	(59,416)	(59,191)	(57,381)	(55,812)	(55,276)
353,375	328,752	Underwriting income	178,556	174,819	171,256	176,017	168,446
		Excess investment income					
454,098	436,652	Net investment income	227,425	226,673	224,233	221,627	218,568
(281,155)	(270,733)	Required interest on net policy liabilities	(141,315)	(139,840)	(138,943)	(137,666)	(136,208)
(42,710)	(44,033)	Interest on debt	(21,432)	(21,278)	(23,610)	(22,433)	(22,411)
130,233	121,886	Total excess investment income	64,678	65,555	61,680	61,528	59,949
(5,515)	(5,139)	Parent company expenses	(2,872)	(2,643)	(2,878)	(2,667)	(2,847)
478,093	445,499	Pre-tax operating income	240,362	237,731	230,058	234,878	225,548
(93,704)	(87,074)	Income tax	(47,114)	(46,590)	(44,870)	(46,531)	(44,251)
384,389	358,425	Net operating income before stock compensation expense	193,248	191,141	185,188	188,347	181,297
(12,763)	(11,195)	Stock compensation expense, net of tax	(6,366)	(6,397)	(8,166)	(5,625)	(6,237)
\$ 371,626	\$ 347,230	Net operating income	\$ 186,882	\$ 184,744	\$ 177,022	\$ 182,722	\$ 175,060
\$ 3.32	\$ 2.99	Per share	\$ 1.67	\$ 1.64	\$ 1.56	\$ 1.59	\$ 1.51
111,949	116,197	Average diluted shares outstanding	111,586	112,329	113,667	114,974	115,651
		Reconciling items, net of tax:					
\$ 5,122	\$ 10,874	Realized gain (loss)—investments	\$ 4,072	\$ 1,050	\$ (4,362)	\$ 815	\$ 9,333
—	—	Realized loss—redemption of debt	—	—	(8,752)	—	—
(92)	(79)	Part D adjustments—discontinued operations	(43)	(49)	11	24	32
(400)	—	Administrative settlements	—	(400)	—	(3,590)	—
—	—	Non-operating fees	—	—	—	(1,247)	—
(4,345)	—	Legal proceedings	(4,345)	—	—	—	—
—	—	Tax reform adjustment	—	—	798	—	—
\$ 371,911	\$ 358,025	Net income	\$ 186,566	\$ 185,345	\$ 164,717	\$ 178,724	\$ 184,425
\$ 3.32	\$ 3.08	Per share	\$ 1.67	\$ 1.65	\$ 1.45	\$ 1.55	\$ 1.59

Refer to 10-Q/10-K for supplemental information on www.sec.gov (NYSE: TMK).

TORCHMARK CORPORATION
Insurance Operations—Quarter
(Unaudited)
(Dollar amounts in thousands)

	Three Months Ended June 30,							
	Life				Health			
	2019	%	2018	%	2019	%	2018	%
American Income Exclusive Agency								
Premium	\$ 288,334		\$ 269,658		\$ 24,450		\$ 23,372	
Net policy obligations	86,686	30	84,180	31	6,023	25	5,662	24
Non-deferred commission & amortization	94,932	33	88,184	33	4,777	20	4,472	19
Non-deferred acquisition expenses	9,710	3	8,678	3	610	2	556	2
Underwriting margin	97,006	34	88,616	33	13,040	53	12,682	54
Direct Response								
Premium	217,278		209,021		19,249		18,999	
Net policy obligations	118,348	54	114,635	55	15,223	79	15,071	79
Non-deferred commission & amortization	55,222	25	54,061	26	1,024	5	789	4
Non-deferred acquisition expenses	4,666	2	4,590	2	11	—	3	—
Underwriting margin	39,042	18	35,735	17	2,991	16	3,136	17
Liberty National Exclusive Agency								
Premium	71,478		69,456		47,292		47,879	
Net policy obligations	24,502	34	25,177	36	23,600	50	23,710	50
Non-deferred commission & amortization	24,733	35	22,790	33	10,704	23	10,553	22
Non-deferred acquisition expenses	4,107	6	4,444	6	1,151	2	1,245	3
Underwriting margin	18,136	25	17,045	25	11,837	25	12,371	26
Family Heritage Exclusive Agency								
Premium	927		868		73,037		67,635	
Net policy obligations	522	56	511	59	37,085	51	35,341	52
Non-deferred commission & amortization	193	21	163	19	16,259	22	14,621	22
Non-deferred acquisition expenses	23	2	26	3	1,792	2	1,902	3
Underwriting margin	189	20	168	19	17,901	25	15,771	23
Other Distribution								
Premium	53,184		53,531		102,254		93,555	
Net policy obligations	15,390	29	16,730	31	66,900	65	59,951	64
Non-deferred commission & amortization	16,869	32	16,910	32	18,234	18	15,716	17
Non-deferred acquisition expenses	248	—	278	1	2,730	3	2,310	2
Underwriting margin	20,677	39	19,613	37	14,390	14	15,578	17
Totals:								
Premium	631,201		602,534		266,282		251,440	
Net policy obligations	245,448	39	241,233	40	148,831	56	139,735	56
Non-deferred commission & amortization	191,949	30	182,108	30	50,998	19	46,151	18
Non-deferred acquisition expenses	18,754	3	18,016	3	6,294	2	6,016	2
Underwriting margin	\$ 175,050	28	\$ 161,177	27	\$ 60,159	23	\$ 59,538	24

	Three Months Ended June 30,	
	2019	2018
Total Underwriting Margins:		
Life	\$ 175,050	\$ 161,177
Health	60,159	59,538
Annuity	2,365	2,566
Other income	398	441
Administrative & other expenses	(59,416)	(55,276)
Underwriting income	\$ 178,556	\$ 168,446

Refer to 10-Q/10-K for supplemental information on www.sec.gov (NYSE: TMK).

TORCHMARK CORPORATION
Insurance Operations—Year to Date
(Unaudited)
(Dollar amounts in thousands)

	Six Months Ended June 30,							
	Life				Health			
	2019	%	2018	%	2019	%	2018	%
American Income Exclusive Agency								
Premium	\$ 570,101		\$ 532,188		\$ 48,549		\$ 46,074	
Net policy obligations	172,892	30	165,966	31	11,892	24	11,273	24
Non-deferred commission & amortization	187,629	33	175,007	33	9,652	20	9,140	20
Non-deferred acquisition expenses	19,265	3	17,722	3	1,215	3	1,130	2
Underwriting margin	190,315	33	173,493	33	25,790	53	24,531	53
Direct Response								
Premium	434,837		420,832		39,509		38,387	
Net policy obligations	236,824	54	233,338	55	31,219	79	30,397	79
Non-deferred commission & amortization	111,933	26	109,177	26	2,085	5	1,631	4
Non-deferred acquisition expenses	9,670	2	9,068	2	20	—	5	—
Underwriting margin	76,410	18	69,249	16	6,185	16	6,354	17
Liberty National Exclusive Agency								
Premium	142,195		139,017		95,448		97,037	
Net policy obligations	49,804	35	52,084	37	47,653	50	48,748	50
Non-deferred commission & amortization	48,070	34	44,865	32	21,634	23	21,487	22
Non-deferred acquisition expenses	8,204	6	8,636	6	2,357	2	2,409	2
Underwriting margin	36,117	25	33,432	24	23,804	25	24,393	25
Family Heritage Exclusive Agency								
Premium	1,858		1,706		144,301		133,854	
Net policy obligations	1,058	57	996	58	72,986	51	69,059	52
Non-deferred commission & amortization	373	20	332	19	31,999	22	29,653	22
Non-deferred acquisition expenses	48	3	49	3	3,699	3	3,848	3
Underwriting margin	379	20	329	19	35,617	25	31,294	23
Other Distribution								
Premium	106,499		107,094		205,159		187,886	
Net policy obligations	30,900	29	33,216	31	133,602	65	120,473	64
Non-deferred commission & amortization	33,413	31	33,752	32	36,138	18	31,921	17
Non-deferred acquisition expenses	518	—	631	1	5,142	3	4,478	2
Underwriting margin	41,668	39	39,495	37	30,277	15	31,014	17
Totals:								
Premium	1,255,490		1,200,837		532,966		503,238	
Net policy obligations	491,478	39	485,600	40	297,352	56	279,950	56
Non-deferred commission & amortization	381,418	30	363,133	30	101,508	19	93,832	19
Non-deferred acquisition expenses	37,705	3	36,106	3	12,433	2	11,870	2
Underwriting margin	\$ 344,889	27	\$ 315,998	26	\$ 121,673	23	\$ 117,586	23

	Six Months Ended June 30,	
	2019	2018
Total Underwriting Margins:		
Life	\$ 344,889	\$ 315,998
Health	121,673	117,586
Annuity	4,781	5,152
Other income	639	764
Administrative & other expenses	(118,607)	(110,748)
Underwriting income	\$ 353,375	\$ 328,752

Refer to 10-Q/10-K for supplemental information on www.sec.gov (NYSE: TMK).

TORCHMARK CORPORATION
Net Sales and First-Year Collected Premium

(Unaudited)
(Dollar amounts in thousands)

Net Sales ⁽¹⁾	Six Months Ended June 30,		Increase (Decrease) %	Three Months Ended June 30,		Increase (Decrease) %
	2019	2018		2019	2018	
Life						
American Income Exclusive Agency	\$ 118,599	\$ 114,771	3	\$ 61,048	\$ 59,670	2
Globe Life Direct Response	66,903	67,223	—	34,456	35,040	(2)
Liberty National Exclusive Agency	25,687	24,230	6	13,428	12,869	4
Other Distribution	6,290	6,336	(1)	3,207	3,678	(13)
Total Life	217,479	212,560	2	112,139	111,257	1
Health						
United American Independent Agency	31,481	27,593	14	16,587	13,410	24
Family Heritage Exclusive Agency	29,928	29,021	3	16,898	15,537	9
Liberty National Exclusive Agency	11,429	10,254	11	5,864	5,277	11
American Income Exclusive Agency	8,198	7,086	16	4,299	3,700	16
Direct Response	1,727	2,561	(33)	582	986	(41)
Total Health	82,763	76,515	8	44,230	38,910	14
Total Net Sales	\$ 300,242	\$ 289,075	4	\$ 156,369	\$ 150,167	4

First-Year Collected Premium ⁽²⁾	Six Months Ended June 30,		Increase (Decrease) %	Three Months Ended June 30,		Increase (Decrease) %
	2019	2018		2019	2018	
Life						
American Income Exclusive Agency	\$ 96,220	\$ 95,592	1	\$ 48,744	\$ 48,685	—
Globe Life Direct Response	42,447	42,573	—	21,191	20,987	1
Liberty National Exclusive Agency	19,475	17,933	9	10,081	9,102	11
Other Distribution	5,924	4,713	26	2,966	2,463	20
Total Life	164,066	160,811	2	82,982	81,237	2
Health						
United American Independent Agency	33,498	29,543	13	17,414	15,458	13
Family Heritage Exclusive Agency	24,465	23,087	6	12,529	11,718	7
Liberty National Exclusive Agency	9,661	8,695	11	5,060	4,417	15
American Income Exclusive Agency	7,784	7,350	6	4,026	3,815	6
Direct Response	1,979	2,620	(24)	956	1,340	(29)
Total Health	77,387	71,295	9	39,985	36,748	9
Total First-Year Collected Premium	\$ 241,453	\$ 232,106	4	\$ 122,967	\$ 117,985	4

Net sales and first-year collected premium are statistical measures utilized as indicators of future premium growth. Below are definitions:

(1) Net sales is annualized premium issued (gross premium that would be received during the policies' first year in force and assuming that none of the policies lapsed or terminated), net of cancellations in the first thirty days after issue, except in the case of Globe Life Direct Response where net sales is annualized premium issued at the time the first full premium is paid after any introductory offer period has expired. We believe that net sales is a better indicator of the rate of premium growth as compared with annualized premium issued.

(2) First-year collected premium is defined as the premium collected during the reporting period for all policies in their first policy year. First-year collected premium takes lapses into account in the first year when lapses are more likely to occur, and thus is a useful indicator of how much new premium is expected to be added to premium income in the future.

TORCHMARK CORPORATION
Condensed Consolidated Balance Sheet
(Unaudited)
(Dollar amounts in thousands, except per share data)

	At June 30,	
	2019	2018
Assets:		
Investments:		
Fixed maturities—available for sale, at fair value (amortized cost: 2019—\$15,984,272; 2018—\$15,350,152)	\$ 17,934,274	\$ 16,284,691
Policy loans	560,469	537,808
Other long-term investments (includes: 2019—\$165,426; 2018—\$108,452 under the fair value option)	289,147	181,676
Short-term investments	74,116	68,544
Total investments	18,858,006	17,072,719
Cash	89,319	82,230
Accrued investment income	247,383	237,985
Other receivables	425,372	407,676
Deferred acquisition costs	4,232,717	4,045,890
Goodwill	441,591	441,591
Other assets	561,057	522,042
Assets related to discontinued operations	—	68,568
Total assets	\$ 24,855,445	\$ 22,878,701
Liabilities:		
Future policy benefits	\$ 14,218,030	\$ 13,702,887
Unearned and advance premium	66,892	66,872
Policy claims and other benefits payable	351,347	329,469
Other policyholders' funds	95,753	96,575
Total policy liabilities	14,732,022	14,195,803
Current and deferred income taxes	1,351,495	1,098,411
Short-term debt	257,453	671,666
Long-term debt (estimated fair value: 2019—\$1,446,082; 2018—\$849,903)	1,353,395	817,474
Other liabilities	460,682	474,264
Liabilities related to discontinued operations	—	49,474
Total liabilities	18,155,047	17,307,092
Commitments and Contingencies (Note 6)		
Shareholders' equity:		
Preferred stock, par value \$1 per share—5,000,000 shares authorized; outstanding: 0 in 2019 and 2018	—	—
Common stock, par value \$1 per share—320,000,000 shares authorized; outstanding: (2019—121,218,183 issued; 2018—124,218,183 issued)	121,218	124,218
Additional paid-in-capital	526,518	517,077
Accumulated other comprehensive income (loss)	1,439,250	603,499
Retained earnings	5,514,517	5,115,071
Treasury stock, at cost: (2019—11,995,233 shares; 2018—11,294,710 shares)	(901,105)	(788,256)
Total shareholders' equity	6,700,398	5,571,609
Total liabilities and shareholders' equity	\$ 24,855,445	\$ 22,878,701
Diluted Basis:		
Shares outstanding	111,264	115,026
Book value per common share	\$ 60.22	\$ 48.44
Book value per common share excluding net unrealized gains on fixed maturities ⁽¹⁾	\$ 46.43	\$ 42.08

(1) ASC 320 includes guidance for treatment of unrealized gains and losses on available-for-sale fixed maturities previously included in FAS 115. This is considered a non-GAAP measure.

TORCHMARK CORPORATION
Invested Assets
(Unaudited)
(Dollar amounts in thousands, except per share data)

Investment Portfolio at June 30, 2019

	Amortized Cost	Fair Value	% of Total	Life & Health Insurance Industry % ⁽¹⁾
Fixed maturities available for sale	\$ 15,984,272	\$ 17,934,274	95	77
Policy loans	560,469	560,469	3	2
Equities	426	1,204	—	2
Mortgage loans	120,599	120,599	1	13
Investment real estate	203	203	—	1
Other long-term investments	158,215	167,141	1	4
Short-term investments	74,113	74,116	—	1
Total	<u>\$ 16,898,297</u>	<u>\$ 18,858,006</u>	<u>100</u>	<u>100</u>

⁽¹⁾ Data available from SNL as of December 31, 2018.

Fixed Maturities at June 30, 2019

Summary	Amortized Cost	Fair Value	Net Unrealized Gain/(Loss)	Average Rating	% of Total Amortized Cost
Investment Grade	\$ 15,338,700	\$ 17,325,748	\$ 1,987,048	A-	96
Below Investment Grade	645,572	608,526	(37,046)	B+	4
Total	<u>\$ 15,984,272</u>	<u>\$ 17,934,274</u>	<u>\$ 1,950,002</u>	BBB+	<u>100</u>

By Type

Corporates	\$ 14,003,840	\$ 15,748,037	\$ 1,744,197	BBB+	88
Municipals	1,365,345	1,504,264	138,919	AA	9
Government-sponsored enterprises	330,339	367,937	37,598	AAA	2
Government & agencies	81,755	84,372	2,617	AAA	—
Collateralized debt obligations (CDOs)	57,172	79,078	21,906	CC+	—
Other asset-backed securities	145,821	150,586	4,765	BBB	1
Total	<u>\$ 15,984,272</u>	<u>\$ 17,934,274</u>	<u>\$ 1,950,002</u>	BBB+	<u>100</u>

TORCHMARK CORPORATION

Invested Assets

(Unaudited)

(Dollar amounts in thousands, except per share data)

June 30, 2019

By Sector:	Amortized Cost	Fair Value⁽¹⁾	Net Unrealized Gain/(Loss)	Average Rating	% of Total Amortized Cost
Financial—life/health/PC insurance	\$ 2,034,554	\$ 2,360,748	\$ 326,194	BBB+	13
Financial—bank	916,677	1,046,447	129,770	A-	6
Financial—other	1,029,131	1,100,579	71,448	BBB+	6
Utilities	1,958,277	2,311,948	353,671	A-	12
Energy	1,632,744	1,837,379	204,635	BBB	10
Consumer, non-cyclical	2,107,900	2,300,127	192,227	BBB+	14
Consumer, cyclical	518,881	539,639	20,758	BBB	3
Communications	715,066	790,370	75,304	BBB+	4
Basic materials	1,078,671	1,207,539	128,868	BBB	7
Transportation	570,992	658,706	87,714	BBB+	4
Technology	116,544	128,068	11,524	A-	1
Other industrials	1,324,403	1,466,487	142,084	BBB+	8
Governments (U.S., municipal, foreign)	1,777,439	1,956,573	179,134	AA+	11
Collateralized debt obligations	57,172	79,078	21,906	CC+	—
Other asset-backed securities	145,821	150,586	4,765	BBB	1
Total	\$ 15,984,272	\$ 17,934,274	\$ 1,950,002	BBB+	100

(1) Amounts reported on the balance sheet

Rating by Sector at Amortized Cost:	AAA	AA	A	BBB	BIG	Total
Financial—life/health/PC insurance	\$ —	\$ 180,532	\$ 720,442	\$1,075,664	\$ 57,916	\$ 2,034,554
Financial—bank	—	108,062	381,919	399,635	27,061	916,677
Financial—other	—	—	363,910	567,659	97,562	1,029,131
Utilities	—	26,069	1,120,886	763,925	47,397	1,958,277
Energy	—	11,969	186,495	1,320,863	113,417	1,632,744
Consumer, non-cyclical	10,769	55,326	538,773	1,469,369	33,663	2,107,900
Consumer, cyclical	—	—	68,447	366,431	84,003	518,881
Communications	—	—	194,314	491,601	29,151	715,066
Basic materials	—	16,566	133,297	918,230	10,578	1,078,671
Transportation	—	—	146,573	398,314	26,105	570,992
Technology	—	—	72,642	43,902	—	116,544
Other industrials	—	—	257,902	1,019,798	46,703	1,324,403
Governments (U.S., municipal, foreign)	788,516	723,660	214,465	50,354	444	1,777,439
Collateralized debt obligations	—	—	—	—	57,172	57,172
Other asset-backed securities	774	—	6,448	124,199	14,400	145,821
Total	\$800,059	\$1,122,184	\$4,406,513	\$9,009,944	\$645,572	\$15,984,272
% of Total Amortized Cost	5%	7%	28%	56%	4%	100%

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TORCHMARK CORPORATION
Invested Assets
(Unaudited)
(Dollar amounts in thousands, except per share data)

Below Investment Grade Bonds by Sector:	June 30, 2019	March 31, 2019	Increase (Decrease) Amount
Financial—life/health/PC insurance	\$ 57,916	\$ 66,264	\$ (8,348)
Financial—bank	27,061	27,068	(7)
Financial—other	97,562	74,958	22,604
Utilities	47,397	36,345	11,052
Energy	113,417	113,456	(39)
Consumer, non-cyclical	33,663	33,756	(93)
Consumer, cyclical	84,003	84,029	(26)
Communications	29,151	29,193	(42)
Basic materials	10,578	60,604	(50,026)
Transportation	26,105	26,097	8
Technology	—	—	—
Other industrials	46,703	46,778	(75)
Governments (U.S., municipal, foreign)	444	440	4
Collateralized debt obligations	57,172	57,473	(301)
Other asset-backed securities	14,400	14,475	(75)
Total	\$ 645,572	\$ 670,936	\$ (25,364)

Fixed Maturity Acquisitions:	Three Months Ended June 30,	
	2019	2018
Amount	\$ 252,742	\$ 181,688
Average annual effective yield	5.0%	5.2%
Average rating	A-	BBB+
Average Life (in years) to:		
Next Call	23.7	16.0
Maturity	29.2	18.4

Below Investment Grade Bonds By SVO⁽¹⁾ Class (Statutory):	June 30, 2019	March 31, 2019	Increase (Decrease) Amount
Asset Class 3	\$ 498,036	\$ 520,819	\$ (22,783)
Asset Class 4	190,559	190,570	(11)
Asset Class 5	20,510	37,323	(16,813)
Asset Class 6 (at market value)	65,575	63,137	2,438
	\$ 774,680	\$ 811,849	\$ (37,170)

(1) NAIC Securities Valuation Office