



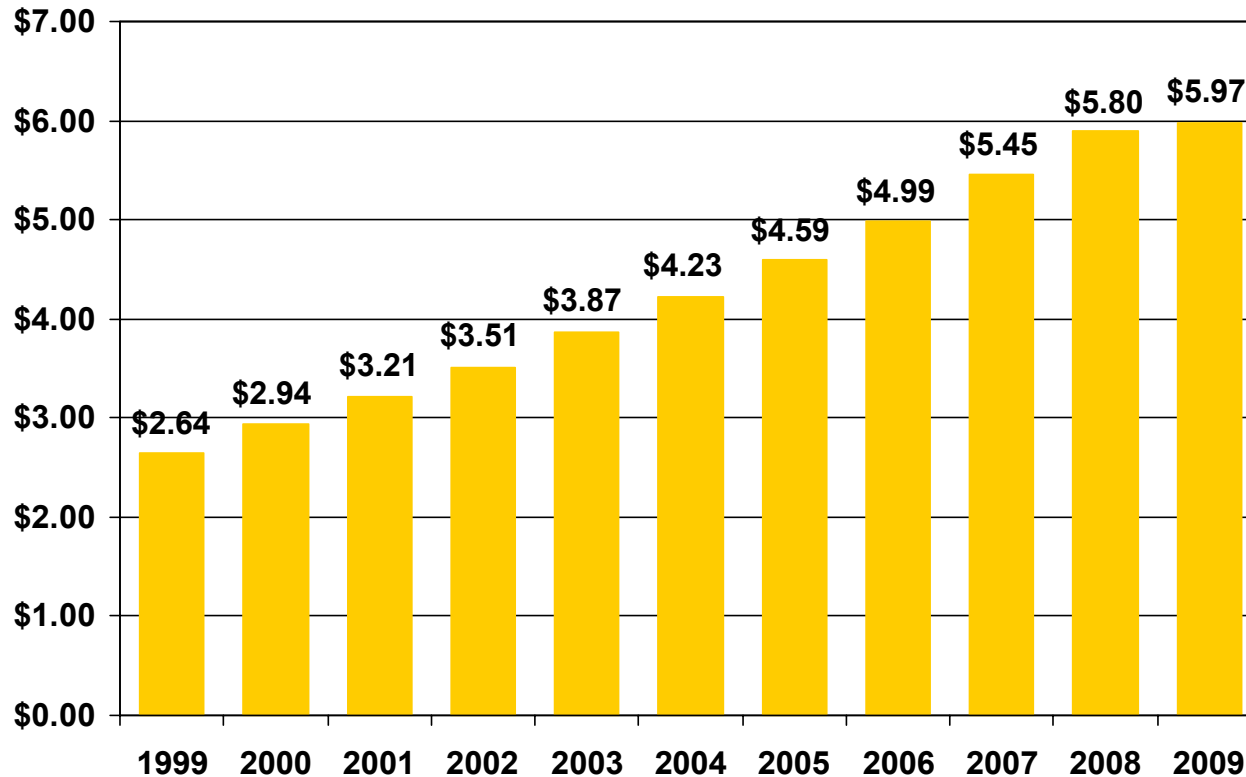
Insurance Investor Conference  
February 23, 2010

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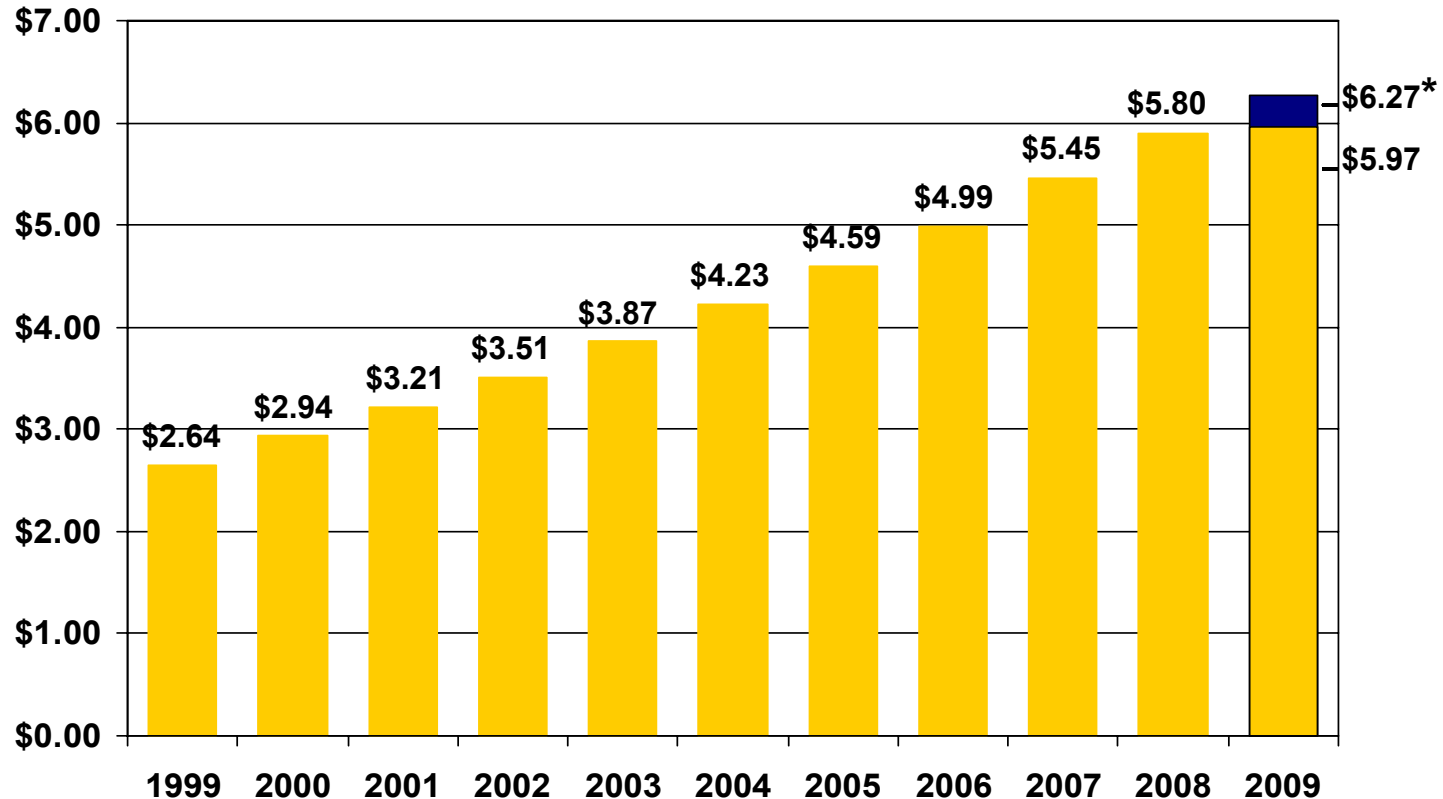
This presentation contains certain financial measures that differ from the comparable GAAP measures. Reconciliations between the non-GAAP measures and the comparable GAAP measures may be found on the Company's web site at [www.torchmarkcorp.com](http://www.torchmarkcorp.com) on the Investor Relations page under SEC filings (form 10-K for 2008) and subsequent quarterly earnings press releases.

# Net Operating Income Per Share

10-Year Compound Annual Growth Rate – 8.5%



# Net Operating Income Per Share Impact of Capital Preservation



\* This is shown to illustrate the impact on earnings of actions taken in 2009 to ensure adequate capital levels. These actions included holding more cash, issuing additional debt, and reinvesting proceeds from bonds sold during the third quarter in lower yielding securities. Earnings per share would have been approximately \$6.27 per share instead of \$5.97 if not for the capital preservation actions, and would have resulted in a 10-year compound annual growth rate of 9.0%.

# Underwriting

# Underwriting Income 2009

(\$ in millions)

	Life			Health*			Total Life and Health		
	Premium	U/W Inc.	Share of U/W Inc.	Premium	U/W Inc.	Share of U/W Inc.	Premium	U/W Inc.	Share of U/W Inc.
American Income	\$508	\$139	39%	\$75	\$23	22%	\$583	\$162	36%
Direct Response	537	104	30%	47	4	4%	584	108	24%
Liberty National: LNL Agency	284	40	11%	132	25	24%	416	65	14%
UA Branch	14	3	1%	257	11	11%	271	14	3%
Military	198	42	12%	0	0	0%	198	42	9%
UA Independent	28	0	0%	326	39	39%	354	39	9%
Other	91	24	7%	0	0	0%	91	24	5%
<b>Total</b>	<b>\$1,660</b>	<b>\$352</b>	<b>100%</b>	<b>\$837</b>	<b>\$102</b>	<b>100%</b>	<b>\$2,497</b>	<b>\$454</b>	<b>100%</b>

Percentage of Total Life and Health U/W Income:

Life 78%      Health 22%

Underwriting Income as a % of Premium:

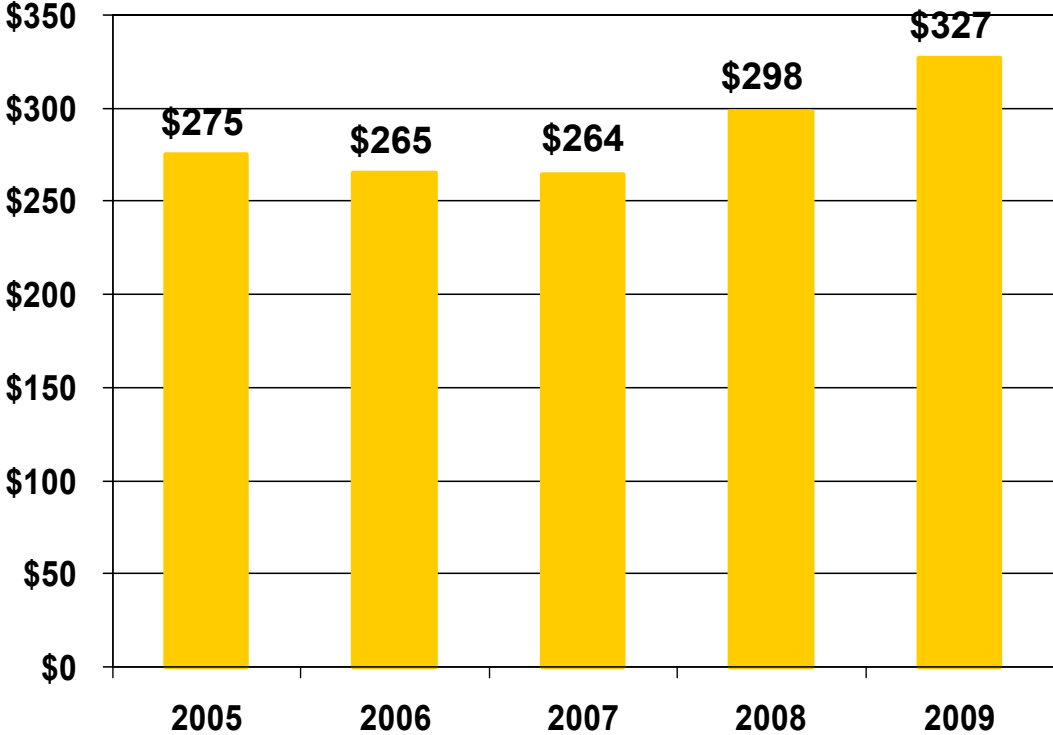
Life 21%      Health 12%

\* Excluding Medicare Part D



# Net Life Sales

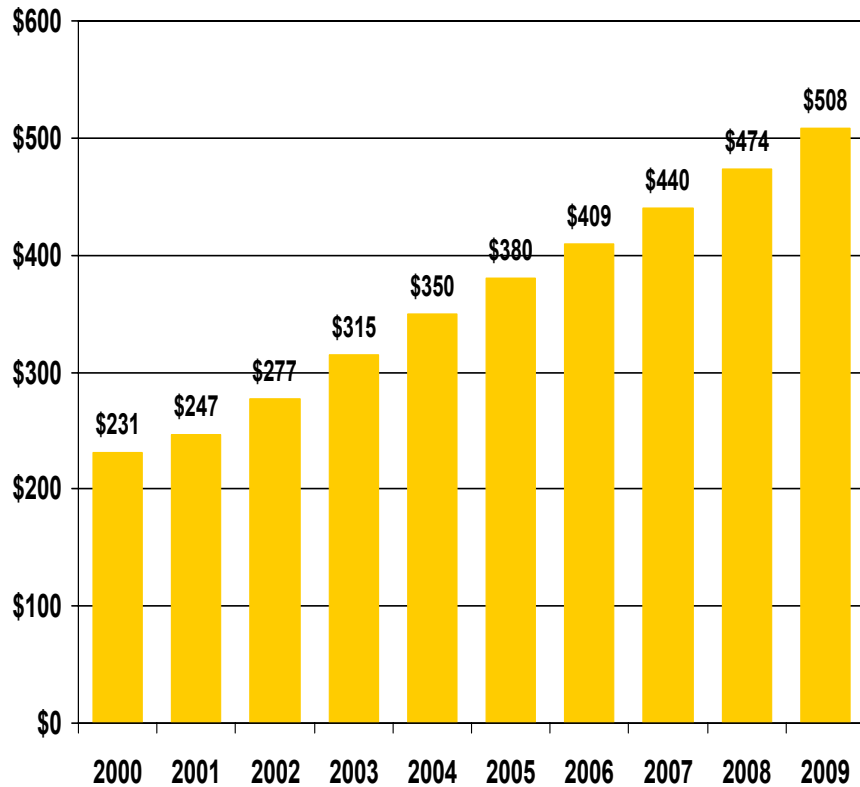
(\$ in millions)



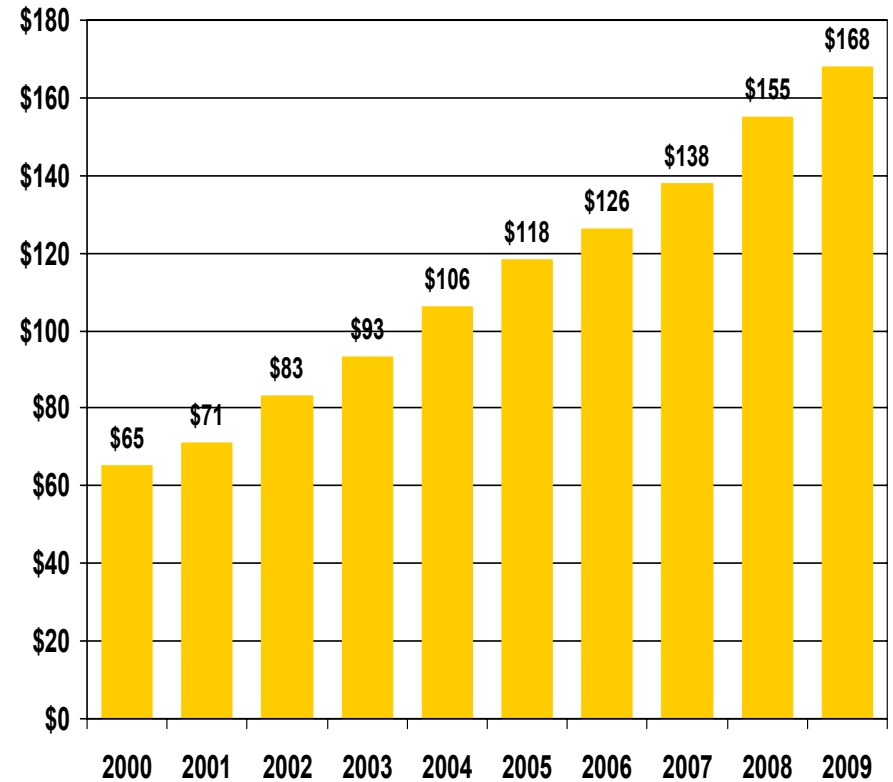
# American Income

(\$ in millions)

## Life Premium



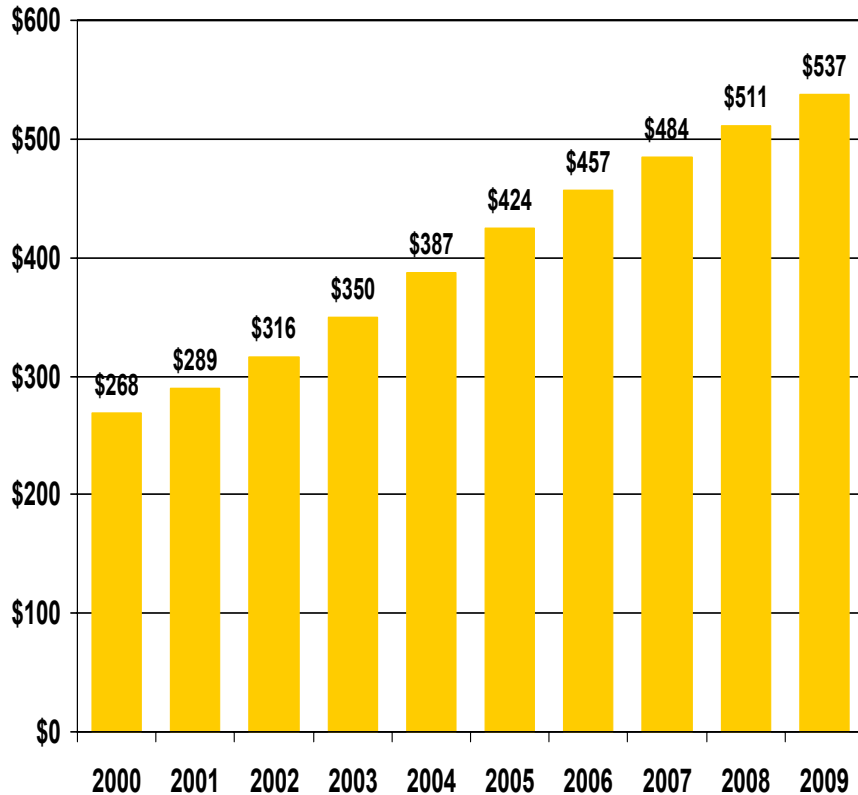
## Life Underwriting Margin



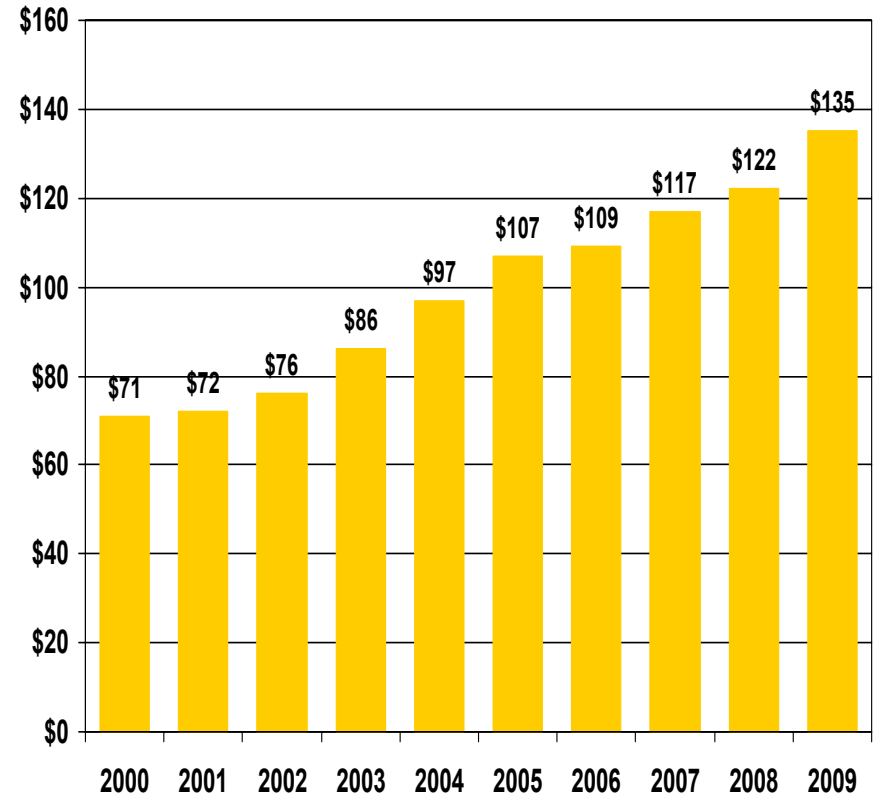
# Direct Response

(\$ in millions)

## Life Premium



## Life Underwriting Margin



# Investments

# Investment Portfolio at 12/31/09

(\$ in millions)

	Amortized Cost	% of Total
Fixed Maturities	\$10,152	93%
Equities	15	—
Mortgage Loans	16	—
Investment Real Estate	2	—
Policy Loans	384	4%
Other Long-Term Investments	35	—
Short-Term Investments	<u>357</u>	<u>3%</u>
<b>TOTAL</b>	<b>\$10,961</b>	<b>100%</b>

# Fixed Maturities by Sector

(\$ in millions)

	<u>12/31/09</u>		Market Value as a % of Amortized Cost	
	Amortized Cost	% of Total Amortized Cost	<u>12/31/09</u>	<u>12/31/08</u>
Financial – Insurance	\$1,759	17%	87%	72%
Financial – Bank	1,580	16%	91%	80%
Financial – Other	443	4%	81%	64%
Utilities	1,454	14%	103%	95%
Government	1,152	11%	97%	90%
Energy	954	9%	}	99%
Consumer	850	8%		
Transportation & Other Industries	664	7%		
Basic Materials	635	6%		
Communications	527	5%		
Other	134	1%	}	86%
<b>TOTAL</b>	<b>\$10,152</b>	<b>100%</b>		

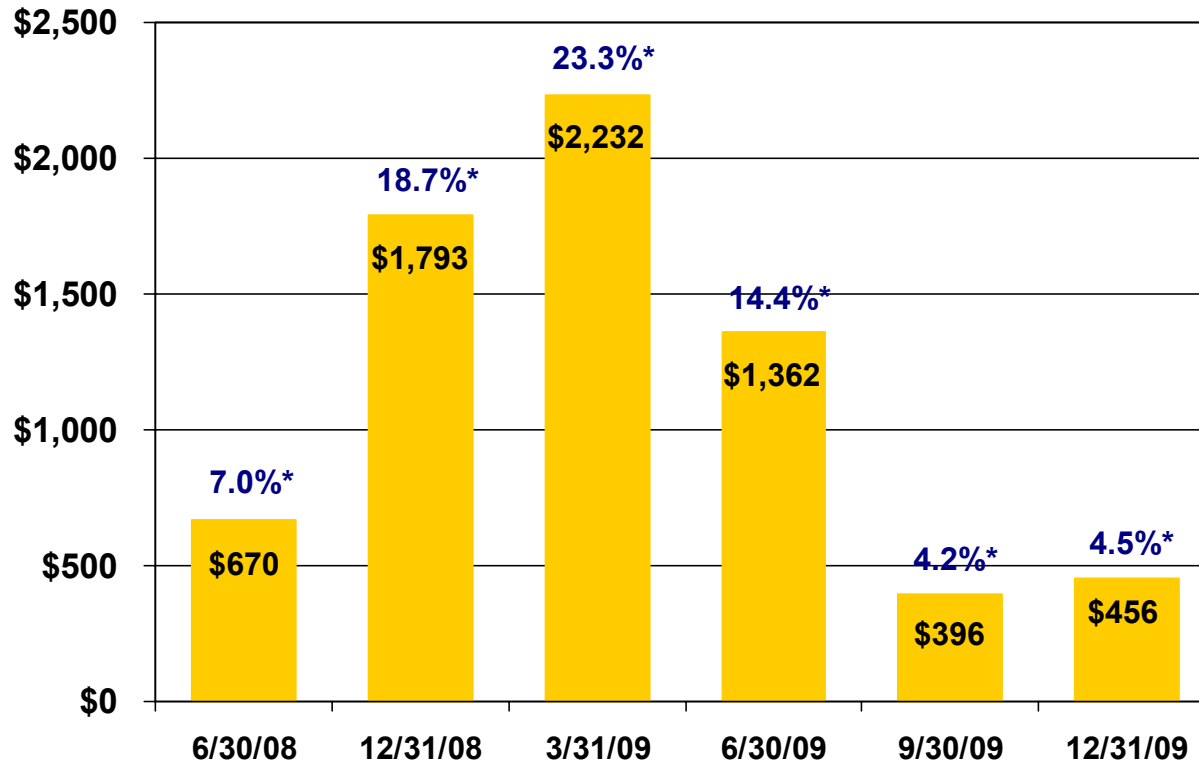
# Below Investment Grade Bonds

(\$ in millions)

	<b>Total</b>	% of Fixed Maturities	% of Equity (Excluding FAS 115)
12/31/08	\$602	6.3%	18.1%
6/30/09	\$1,235	13.1%	35.8%
12/31/09	\$824	8.1%	22.4%

# Net Unrealized Losses Fixed Maturities

(\$ in millions)



\* Net unrealized losses as a percentage of fixed maturities at amortized cost.

# Portfolio Yield Fixed Maturities

(\$ in millions)

	Amortized Cost	Yield
<b>12/31/08</b>	<b>\$9,610</b>	<b>6.98%</b>
Purchases	2,311	6.44%
Dispositions:		
Sales	(943)	
Maturities/Other	(666)	
Impairments	(160)	
	(1,769)	7.34%
<b>12/31/09</b>	<b>\$10,152</b>	<b>6.81%</b>

# Capitalization and Liquidity

# Capitalization Life Insurance Companies

(\$ in millions)

**Goal: Maintain Company Action Level RBC at 300% +**

	12/31/08	6/30/09	12/31/09
Capital	\$1,281	\$1,074	\$1,476
Required Capital	\$389	\$444	\$416
<b>Company Action Level RBC %</b>	<b>329%</b>	<b>242%</b>	<b>355%</b>
Excess (Deficit) Capital vs 300% Target	\$114	(\$258)	\$225

# Capitalization

## Corporate Debt to Capitalization 12/31/09

(\$ in millions)

Commercial Paper	\$233	4.8%
Senior Debentures & Notes	800	16.6%
Trust Preferred	120	2.5%
Total Debt	\$1,153	<b>23.9%</b>
Equity, excluding FAS 115	3,677	
<b>Total Capitalization</b>	<b>\$4,830</b>	

# Insurance Companies Net Cash Flow

(\$ in millions)

	2009	2010 E
Insurance Underwriting	\$463	
Excess Investment Income	605	
Income Taxes and Parent Expenses	(171)	
<b>Net Cash Flow From Operations</b>	<b>\$897</b>	<b>\$930 – \$950</b>
Investment Dispositions and Other Non-operating Activities	\$1,642	315
<b>Net Cash Flow</b>	<b>\$2,539</b>	<b>\$1,245 – \$1,265</b>

# Parent Company Free Cash Flow

(\$ in millions)

2009

2010 E

## Insurance Companies:

Net Cash Flow	\$2,539
Less Cash Retained	<u>2,147</u>
Cash Dividended to TMK	\$392

## Torchmark Parent Company

Dividends Received From Insurance Companies	\$392
Less Cash Outflow:	
Interest Expense	70
Dividends to Shareholders	47
Other, Net	<u>(6)</u>
Net Outflow	\$111

Free Cash Flow

\$281

\$270 – \$280

# Capital and Liquidity Summary

(\$ in millions)

## Insurance Company Excess Capital Over 300% RBC

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At 12/31/09	\$225
Estimated Increase in 2010 Assuming No Impairments	<u>90</u>
<b>Total Excess Capital</b>	<b><u><u>\$315</u></u></b>

## Liquidity at Parent

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Cash at 12/31/09	\$155
Estimated 2010 Free Cash Flow	<u>270</u>
<b>Total Cash Available for 2010</b>	<b><u><u>\$425</u></u></b>

# Share Repurchases

# Share Repurchases

Year	Average Price	No. of Shares (in 000's)	PE Ratio*
2009	\$22.78	2,050	3.8
2008	\$55.86	7,638	9.6
2007	\$65.39	6,150	12.0
2006	\$57.47	5,575	11.5
2005	\$53.15	5,647	11.6
2004	\$51.39	5,221	12.1
2003	\$38.17	5,902	9.9
2002	\$37.82	4,817	10.8
2001	\$37.25	4,265	11.6
2000	\$23.22	5,806	7.9
1999	\$32.50	5,398	12.3
1998	\$36.63	3,436	15.4

\* P/E Ratios are calculated using the operating earnings per share for the year in which the share repurchases occurred.

# Summary

## Core Operations

- Earnings per share growth despite difficult economic environment
  - Straightforward protection coverage – minimal exposure to variable annuities
  - Continued growth in life sales
  - Steady premium and underwriting margin growth in Direct Response and American Income
  - Strong growth in agent recruiting at American Income
- 

## Investments

- Primarily investment grade fixed maturities
  - Immaterial exposure to CMBS, RMBS, and mortgages
  - No direct exposure to subprime or Alt A mortgages
  - No credit default swaps or other derivatives
  - Sharp declines in below investment grade bonds and unrealized losses
  - Decrease in yields in 2009 due to actions taken to preserve capital
- 

## Capitalization and Liquidity

- Strong and consistent free cash flow
  - Replenished capital levels without raising equity after unprecedented investment impairments and downgrades
  - Excess capital at insurance companies
  - Excess cash at parent company
  - No need to raise equity capital
- 

## Share Repurchase Program

- Suspended in 2009 due to general economic conditions
- Reevaluate as economic conditions continue to stabilize

**Torchmark**  
Corporation

