



2003 ANNUAL REPORT



CORPORATE HEADQUARTERS

Torchmark Corporation
2001 Third Avenue South
Birmingham, Alabama 35233
(205) 325-4200
www.torchmarkcorp.com

ANNUAL MEETING OF SHAREHOLDERS

10:00 a.m., Thursday, April 29, 2004
Hilton Suites Dallas North
13402 Noel Road
Dallas, Texas 75240

The proceedings will be webcast live and in replay on the Investor Relations page of the Torchmark Corporation website. The Company's Annual Meeting will be conducted in accordance with its Shareholder Rights Policy. A copy of this policy can be obtained on the Company's website, or by contacting the Corporate Secretary at the Torchmark Corporation headquarters address.

INVESTOR RELATIONS

Contact: Joyce L. Lane
Phone: (972) 569-3627
Fax: (972) 569-3696
E-Mail: jlane@torchmarkcorp.com
Individual stock ownership information:
(205) 325-4270
Toll-Free Stock Transfer Number:
(866) 557-8699

INDEPENDENT AUDITORS

Deloitte & Touche LLP
2200 Ross Avenue
Suite 1600
Dallas, Texas 75201

STOCK EXCHANGE LISTINGS

New York Stock Exchange
Symbol: TMK
The International Stock Exchange,
London, England

INDENTURE TRUSTEE FOR SENIOR DEBENTURES AND 7½% AND 7⅜% NOTES

J.P. Morgan Bondholder Services
P.O. Box 2320
Dallas, Texas 75221-2320
Toll-Free Number: (800) 275-2048
www.jpmorgan.com/bondholder

INDENTURE TRUSTEE FOR 6¼% NOTES

The Bank of New York
101 Barclay Street, 21W
New York, New York 10286
Attention: Corporate Trust Administration
Toll-Free Number: (800) 254-2826
www.bankofny.com/corptrust

TORCHMARK CAPITAL TRUST PREFERRED SECURITIES

Torchmark Capital Trust I and II, Delaware business trust subsidiaries of Torchmark, have issued a total of 5,000,000 7¼% Trust Preferred Securities (liquidation amount \$25 per Trust Preferred Security). The Trust Preferred Securities trade through Depository Trust Company under global certificates listed on the New York Stock Exchange (Torchmark Capital Trust I NYSE symbol: TMKPR1; Torchmark Capital Trust II NYSE symbol: TMKPRS).

STOCK TRANSFER AGENT AND SHAREHOLDER ASSISTANCE

The Bank of New York
Shareholder Relations Department
P.O. Box 11258
Church Street Station
New York, New York 10286
Toll-Free Number: (866) 557-8699
Toll-Free Hearing
Impaired Number: (888) 269-5221
Outside the U.S.: (610) 382-7833
E-Mail: Shareowner@bankofny.com
www.stockbny.com

DIVIDEND REINVESTMENT

Torchmark maintains a dividend reinvestment plan for all holders of its common stock. Under the plan, shareholders may reinvest all or part of their dividends in additional shares of common stock and may also make periodic additional cash payments of up to \$3,000 toward the purchase of Torchmark stock. Participation is voluntary. More information on the plan may be obtained from the Stock Transfer Agent by calling: toll-free (866) 557-8699 or by writing: The Bank of New York, 101 Barclay Street, 21W, New York, New York 10286.

AUTOMATIC DEPOSIT OF DIVIDENDS

Automatic deposit of dividends is available to shareholders who wish to have their dividends directly deposited into the financial institution of their choice. Authorization forms may be obtained from the Stock Transfer Agent by calling toll-free (866) 557-8699. Participation is voluntary.

TORCHMARK CORPORATION WEBSITE

On the home page at www.torchmarkcorp.com are links to the web pages of:

- Torchmark's principal subsidiaries
- Torchmark's Annual Reports
- Employment
- Investor Relations

The Investor Relations page contains a menu with links to many topics of interest to investors and other interested third parties:

- About Torchmark
- Annual Reports, SEC forms 10-K and Proxy Statements
- News Releases and Stock Quotes
- SEC Filings
- Financial Reports and Other Financial Information
- Officers and Directors
- Torchmark Calendar
- Management Presentations

- Conference Calls on the Web
- Corporate Governance including:
 - Shareholder Rights Policy
 - Code of Business Conduct and Ethics
 - Code of Ethics for CEO and Senior Financial Officers
 - Corporate Governance Guidelines
 - Audit Committee Charter
 - Compensation Committee Charter
 - Governance & Nominating Committee Charter
 - Employee Complaint Procedure
 - How to Contact the Board of Directors
- Annual Meeting of Shareholders
- Stock Transfer Agent and Shareholder Assistance
- Dividend Reinvestment
- Automatic Deposit of Dividends
- Contact Information



FINANCIAL HIGHLIGHTS*

In thousands except percentage and per share amounts

	2003	2002	% CHNG.
OPERATIONS:			
Total Premium	\$2,375,783	\$2,279,033	4.2
Total Revenue	2,930,638	2,761,049	6.1
Net Operating Income	446,383	423,609	5.4
Annualized Life Premium in Force	1,449,290	1,343,156	7.9
Annualized Health Premium in Force	1,064,428	1,030,482	3.3
Diluted Average Shares Outstanding	115,377	120,669	(4.4)
Net Operating Income as a Return On Average Common Equity	16.3%	16.5%	
PER COMMON SHARE:			
Net Operating Income	\$3.87	\$3.51	10.3
Shareholders' Equity at Year End	25.06	22.46	11.6

* Certain financial data differ from the comparable GAAP financial data. Reconciliations to GAAP financial data are presented on pages 10-11, and management's reasons for the usage of these non-GAAP financial data appear on pages 8-9.

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LETTER TO SHAREHOLDERS*

2003 was another good year for Torchmark. Net operating income increased 5% to \$446 million; on a per share basis, net operating income increased 10% to \$3.87.

Our underwriting income increased 3% for the year, and our excess investment income increased 9%. We managed our capital effectively, including the repurchase of our stock, which enhances the current and future value of the investment of our shareholders.

FINANCIAL REVIEW

KEY COMPONENTS OF NET OPERATING INCOME

	\$ MILLIONS			DILUTED OPERATING EARNINGS PER SHARE		
	2003	2002	% CHNG	2003	2002	% CHNG
INSURANCE UNDERWRITING INCOME	\$371.8	\$359.4	3	\$3.22	\$2.98	8
EXCESS INVESTMENT INCOME	321.3	295.0	9	2.78	2.44	14
OTHER	(13.9)	(14.2)	(2)	(0.12)	(0.12)	—
INCOME TAX	(232.8)	(216.6)	7	(2.02)	(1.79)	13
NET OPERATING INCOME	\$446.4	\$423.6	5	\$3.87	\$3.51	10

First year premiums are the collected premiums received for policies that are in their first policy year, and they are a measure of the new business being generated within our distribution systems. Life insurance first year premiums increased 12% to \$222 million, and health insurance first year premiums increased 2% to \$146 million.

Total life insurance premium income increased 7% to \$1,310 million. Underwriting margin, which is the premium income less the amounts required to (1) fund current and future benefits and (2) amortize acquisition expense, increased 9% to \$326 million.

Total health insurance premium income increased 1% to \$1,034 million. Underwriting margin declined 2% to \$164 million.

Annuity premiums declined 20% to \$31 million, and underwriting margin declined 21% to \$11 million.

Insurance underwriting income, which is the sum of the underwriting margins plus other income and less administrative expenses, increased 3% to \$372 million.

Net Investment Income increased 7% to \$557 million. The required interest on net policy liabilities increased 7% to \$206 million, and financing costs declined 15% to \$29 million. Therefore, excess investment income increased 9% to \$321 million.

Valuing fixed maturity assets at amortized cost instead of market, book value per share was \$25.06, net operating income as a return on equity was 16.3%, and our debt to capital ratio was 23.5%.

* Certain financial data differ from the comparable GAAP financial data. Reconciliations to GAAP financial data are presented on pages 10-11, and management's reasons for the usage of these non-GAAP financial data appear on pages 8-9.

AMERICAN INCOME AGENCY OPERATION

In millions, except %

	LIFE				HEALTH			
	2003		2002		2003		2002	
	\$	% *	\$	% *	\$	% *	\$	% *
FIRST YEAR COLLECTED PREMIUM	73		61		12		11	
UNDERWRITING MARGIN:								
PREMIUM	315		277		56		52	
POLICY OBLIGATIONS	107	34%	94	34%	23	41%	20	38%
ACQUISITION EXPENSES	114	36%	100	36%	14	25%	13	25%
UNDERWRITING MARGIN	93	30%	83	30%	19	34%	19	37%

* PERCENT OF PREMIUM

First year premiums increased 17% to \$85 million. Total premiums increased 13% to \$371 million, and underwriting margin increased 11% to \$112 million.

American Income is a “union label” company, and the home office non-management employees and the sales force are union members. With the endorsement of unions at the local level, the sales force markets insurance products to the union membership. There is a strong affinity among members of the labor movement, and American Income is one of only two “union label” U. S. life insurance companies. Given that the current customer base represents less than 5% of the 19 million union members in the U. S. and Canada, we have only begun to penetrate the potential market.

At year-end, the sales force numbered almost 2,300 producing agents, an increase of over 300 agents for the year.

Going forward in 2004, expectations are for continued impressive growth in premiums and underwriting margin in life insurance, our primary business at American Income.

DIRECT RESPONSE OPERATION

In millions, except %

	LIFE				HEALTH			
	2003		2002		2003		2002	
	\$	% *	\$	% *	\$	% *	\$	% *
FIRST YEAR COLLECTED PREMIUM	63		50		8		4	
UNDERWRITING MARGIN:								
PREMIUM	350		316		28		22	
POLICY OBLIGATIONS	165	47%	155	49%	22	78%	18	80%
ACQUISITION EXPENSES	99	28%	85	27%	3	9%	2	7%
UNDERWRITING MARGIN	86	25%	76	24%	3	12%	3	13%

* PERCENT OF PREMIUM

First year premiums increased 29% to \$71 million. Total premiums increased 12% to \$379 million, and underwriting margins increased 14% to \$90 million.

Our Direct Response operation is the largest direct response life insurance operation in the U. S., and the primary vehicle is direct mail. We obtain mailing lists that meet the selection criteria for the products we offer, and then we reduce the lists using our own demographic data related to household incomes and past response rates. All printing and lettershop work are done internally, including making our own envelopes. We pre-sort our mail into carrier route zip codes, and then truck the mail to the various regional postal centers throughout the country. The results are mailings that have the lowest possible packaging and postal costs and the highest probability of response rates that will generate the desired underwriting margin.

With respect to the life insurance operation, the business issued during the past three years has greater percentage of premium underwriting margins than the overall in force business. This isn't an accident, but is the result of constant testing of products and pricing structures that maximize the return on investment. The evidence is reflected in the financial results; life premiums increased 11% for the year, but the underwriting margins increased 14%.

Going forward into 2004, we expect another outstanding year in our Direct Response operation, with a continued impressive growth rate in premiums and an even greater growth rate in underwriting margin.

LIBERTY NATIONAL EXCLUSIVE AGENCY OPERATION

In millions, except %

	LIFE				HEALTH			
	2003		2002		2003		2002	
	\$	% *	\$	% *	\$	% *	\$	% *
FIRST YEAR COLLECTED PREMIUM	40		40		9		9	
UNDERWRITING MARGIN:								
PREMIUM	304		302		164		160	
POLICY OBLIGATIONS	144	47%	141	47%	125	76%	118	74%
ACQUISITION EXPENSES	93	31%	90	30%	30	18%	28	18%
UNDERWRITING MARGIN	68	22%	70	23%	10	6%	14	9%

* PERCENT OF PREMIUM

First year premiums increased 2% to \$50 million. Total premiums increased 1% to \$468 million, and underwriting margins declined 8% to \$77 million.

The bad news is that the financial performance of the Liberty National Agency operation was disappointing. The good news is that we are reacting to the bad news.

With respect to life insurance, the quality of the new business that was being issued had deteriorated. First year lapse rates had increased to higher than expected levels, thereby reducing the premium income to lower than expected levels; in short, higher lapse rates adversely impacted underwriting margin. The segment of the new business that was causing the higher lapse rates was the business being submitted with cash or money orders, and it represented 25% of the new business being submitted. The lapse rates associated with this business were almost twice as high as the business being submitted with personal checks from the applicants. Beginning in April 2003, the Company no longer accepted a new application unless it was accompanied with the applicant's personal check. Initially, this change in policy resulted in a sharp decline in the volume of new business. Nonetheless, the field force adapted and new business volume for the year was down only 5%. Even with the lower volume of new business, first year life insurance premiums increased 2% for the year due to the improved persistency on the new business that was issued since April.

Other changes, primarily related to field force compensation and other acquisition expenses, have been implemented, with more to come throughout 2004.

Health underwriting margin continues to be pressured by the Liberty cancer business subject to the 1994 class action settlement. This block of business, which represented 47% of Liberty's health premiums, experienced a paid claims loss ratio equal to 109% of premiums. Although we continue to implement rate increases on this block of business, rate increases will not solve the problem...and the problem is not only losses incurred by Liberty National, but also the burden of large rate increases and high premiums being paid by our customers. There is a solution to the problem; in fact, there is more than one solution. We will be implementing one or more solutions during 2004, and we expect the results to be beneficial to our customers and to Liberty National.

Going forward into 2004, with respect to life insurance, we expect continued improvements in persistency, greater growth in first year and total premiums, and a higher underwriting margin due to better persistency and lower acquisition expenses. These expectations also apply to our health insurance, but we also are committed to improving the situation that exists with respect to the cancer block of business as described above.

UNITED AMERICAN GENERAL AGENCY AND BRANCH OFFICE OPERATIONS

In millions, except %

	LIFE				HEALTH			
	2003		2002		2003		2002	
	\$	% *	\$	% *	\$	% *	\$	% *
FIRST YEAR COLLECTED PREMIUM	14		16		117		120	
UNDERWRITING MARGIN:								
PREMIUM	71		70		786		786	
POLICY OBLIGATIONS	34	48%	34	49%	502	64%	504	64%
ACQUISITION EXPENSES	29	40%	28	40%	151	19%	150	19%
UNDERWRITING MARGIN	9	12%	8	12%	132	17%	132	17%

* PERCENT OF PREMIUM

First year premiums declined 3% to \$131 million. Total premiums and underwriting margin were flat at \$857 million and \$141 million, respectively.

With respect to health insurance, our independent general agencies and our branch office agents market supplemental health insurance products to individuals who are under the age of 65, and Medicare supplement products to individuals age 65+ and who are on Medicare.

With respect to supplemental health insurance products for the underage 65 market, the volume of new sales increased 63% for the year. There are two reasons for the growing demand for the products: (1) the availability of individual Major Medical insurance is disappearing as carriers withdraw from the marketplace (they are tired of losing money), and (2) employers are cutting back employee group health insurance benefits in order to reduce their health care costs. The wide variety of products offered by United American either will fill the gaps created by employer cutbacks or will provide basic protection against the expenses of the majority of hospital confinements and out-patient hospital treatments.

United American continues to have the reputation as being a most cost-efficient, high-level customer service Medicare supplement carrier, but we have never had the reputation for having the lowest premiums. We maintain our claims at just above the 65% of premiums as mandated by the regulatory authorities, our agent commissions as a percentage of premiums are basically the same as our competitors, and our administrative costs are the lowest of the Medicare supplement carriers. Our underwriting income from our Medicare supplement business is about 11% of premium revenues. For the past few years and until recently, many competitors have offered rates that were at least 15% less than ours. Instead of reducing our rates at least 15% and turning our 11% profit margin into a loss, we've elected to wait until pricing sanity returns to the marketplace. We've been through periods like this before in our 35+ years in the Medicare supplement business. Nonetheless, the volume of new Medicare supplement sales declined 32% during the year. But as noted above, the gap between our premiums and those of our competitors is closing as they implement larger rate increases.

Going forward into 2004, we expect sales volume in the underage 65 market to continue to experience impressive growth, and we expect growth in sales volume in the Medicare supplement business. For our health insurance operations, we expect improved growth with respect to first year premiums, total premiums, and underwriting margin.

MILITARY AND OTHER LIFE AGENCY OPERATIONS

In millions, except %

	MILITARY				OTHER			
	2003		2002		2003		2002	
	\$	% *	\$	% *	\$	% *	\$	% *
FIRST YEAR COLLECTED PREMIUM	24		22		7		9	
UNDERWRITING MARGIN:								
PREMIUM	166		149		103		107	
POLICY OBLIGATIONS	77	46%	69	46%	39	38%	41	38%
ACQUISITION EXPENSES	50	30%	45	30%	34	33%	39	36%
UNDERWRITING MARGIN	39	24%	35	23%	30	29%	27	25%

* PERCENT OF PREMIUM

With respect to our Military operation, first year premiums increased 13% to \$24 million. Total premiums increased 12% to \$166 million, and underwriting margin increased 13% to \$39 million.

All of our Military business is generated through one independent agency, First Command, headquartered in Fort Worth, Texas. First Command is represented by over 1,000 agents in over 200 offices located on or near military installations in the U. S. and abroad. The agency markets its products exclusively to commissioned and non-commissioned military officers and their families. The integrity of First Command and its commitment to customers is extraordinary, and the quality of the business it produces is second to none in the industry.

First Command and Torchmark have been partners since 1982, and although Torchmark is but one of several companies represented by First Command, over the years we have earned an increasing portion of the total new business produced by the agency. Going forward, we will continue to strive to earn even more of their business as they grow their operations.

ADMINISTRATIVE EXPENSES

Insurance administrative expenses increased 5% to \$131 million. As a percentage of premium, administrative expenses were 5.5%, unchanged from the prior year. Included in these expenses were our litigation expenses which declined 23% to \$4.9 million, including \$.9 million related to our litigation with Waddell & Reed. Going forward into 2004, we expect some increase in litigation expenses, primarily due to our ongoing litigation with Waddell & Reed. Nonetheless, our objective is to reduce our overall administrative expenses as a percentage of premium by simplifying administrative functions, thereby enhancing customer service and reducing costs.

INVESTMENTS

Our investment portfolio is concentrated in high quality fixed-maturity assets. Fixed-maturity assets on an amortized cost basis represented 93% of our invested assets. For a variety of reasons, not the least of which is our discomfort with alternatives, fixed-maturity assets will likely continue to be an increasing percentage of our invested assets. The average credit rating quality of the fixed-maturity portfolio was BBB+ as rated by Standard & Poor's and Baa1 as rated by Moody's.

Net investment income was \$557 million. Excess investment income is the difference between our net investment income and the interest required on our net interest-bearing liabilities. Required interest was \$236 million, resulting in excess investment income of \$321 million.

Because of our stock repurchase program, comparing the yearly change in excess investment income is misleading. A better comparison is on a per-share basis; as such, our excess investment income increased 14%.

As noted on the chart, we have entered into derivative agreements known as “interest rate swaps.” These agreements produced \$26 million of excess investment income for the year. Should interest rates rise dramatically over time, the current positive excess investment income from the “swaps” could become negative. We have concluded that the risk/reward is in our favor because the increase in investment income from higher interest rates would soon exceed the income lost from the swaps. Furthermore, we hope interest rates do rise from the current levels because we generate substantial cash within our investment and insurance operations to be invested each year.

2003 INVESTMENT INCOME

In millions, except percent and per share amounts

	TOTAL*	REQUIRED	EXCESS
(1) FROM INVESTED ASSETS SUPPORTING:			
NET INTEREST-BEARING POLICY LIABILITIES:			
POLICY RESERVES		\$351	
DEFERRED ACQUISITION COSTS		(145)	
NET	\$268	206	\$62
DEBT AND DISTRIBUTIONS ON TRUST PREFERRED SECURITIES	61	56	5
INTEREST RATE SWAPS	0	(26)	26
(2) FROM REMAINING INVESTED ASSETS	228	0	228
	\$557	\$236	\$321
PER DILUTED SHARE	\$4.82	\$2.04	\$2.78
INCREASE OVER 2002	11%	9%	14%

* For illustrative purposes only, total investment income has been allocated pro rata based upon the net liabilities. Torchmark does not specifically allocate assets to liabilities.

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SHARE REPURCHASE PROGRAM

During the year we repurchased 5.9 million shares of our outstanding stock at a cost of \$225 million. Since the inception of the stock repurchase program in 1986, we have repurchased stock in all years except one, and the cumulative effect has been that we have repurchased 53% of the outstanding stock at a total cost of \$2.26 billion. We expect to continue this program as long as we believe that our stock is undervalued, since the program is a means of increasing shareholder intrinsic value.

OUTLOOK

In 2004, we expect continued growth in first year premiums, total premiums and underwriting margin in our life operations, with all four of our major life distribution systems adding increasing value. And we expect continued growth in first year premiums, total premiums and underwriting margin in our health insurance operations. We will effectively manage our expenses and we expect our investment operations to continue to do well (but it would be most helpful if interest rates would move somewhat upward). And, as stated above, we expect further repurchases of our stock. We expect 2004 to be another good year for Torchmark.



C. B. HUDSON
Chairman and Chief Executive Officer

GUIDELINES FOR UNDERSTANDING TORCHMARK'S FINANCIAL RESULTS AS MANAGEMENT VIEWS THEM

Torchmark's core operations are the insurance operations and the investment operations, which as described above, includes the interest costs on our net policy liabilities and debt. As a result, management believes that net operating income, and shareholders' equity excluding the effect of FAS 115, are the best measures to evaluate the Company's performance and financial condition. As shown in the chart below, these measures differ from the comparable GAAP measures because they exclude certain adjustments that distort operating performance or book value.

In millions

NET OPERATING INCOME	\$446.4
CAPITAL LOSSES:	
INVESTMENTS	(9.1)
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	(10.1)
TAX SETTLEMENT	3.5
LOSS ON SALE OF COMPANY AIRPLANE	(0.5)
GAAP NET INCOME	\$430.1
SHAREHOLDERS' EQUITY AT 12/31/03, EXCLUDING FAS 115	\$2,854.0
NET EFFECT OF FAS 115 ADJUSTMENT	386.1
GAAP SHAREHOLDERS' EQUITY AT 12/31/03	\$3,240.1

ITEMS EXCLUDED FROM NET OPERATING INCOME

Capital gains and losses from investments generally occur from sales due to credit concerns, due to calls by issuers and from write-downs due to asset impairments. They can also occur because of sales for tax purposes. On a tax basis, we match capital gains and losses, but at times we can still have GAAP gains/losses. This occurs because the offsetting transactions are intercompany transactions recognized on the tax return, but eliminated when preparing the consolidated GAAP financial statements. Because we do not trade investments for operating profits, and prefer to hold our investments over long periods of time, we do not consider capital gains and losses as part of our core operations.

We have interest rate swaps whereby we receive fixed rate payments and make floating rate payments on a total principal amount of \$530 million. The periodic net cash settlements have been positive to Torchmark, and are included in net operating income as an offset to interest expense. GAAP accounting also requires us to record an asset on the balance sheet for the present value of the anticipated future cash flow from the swaps. The period to period changes in this asset are included in GAAP net income as **capital gains/losses**. Since Torchmark plans to retain the swaps until they terminate, at which time their value will be zero, the sum of all gains/losses recognized will be non-cash, unrealized amounts that total zero. As a result, we don't believe the period to period changes in the asset value have relevance.

Capital gains and losses are not part of our core operations, and thus, are not included in net operating income. This is a common practice among life insurance companies and the investment community that follows the industry.

The tax settlement of long standing issues and the sale of a company airplane are excluded from net operating income because they are non-operating, non-recurring events.

ITEM EXCLUDED FROM SHAREHOLDERS' EQUITY

The **adjustment of fixed maturities to fair value** is required by GAAP accounting (FAS 115) to reflect fixed maturities at their estimated market value. The difference in the market value and the amortized cost of the assets, offset by the related impact on deferred acquisition costs and the deferred income tax liability, is recorded as an unrealized gain or loss in shareholders' equity. This adjustment presents two concerns. First, the period to period changes in market value are primarily the result of changes in market interest rates and economic conditions outside the control of management. In addition, approximately 65% of our fixed maturities support our interest bearing liabilities, primarily the net policy liabilities. GAAP accounting does not permit a corresponding adjustment of these liabilities to market value, resulting in a mismatch that is material to shareholders' equity. For these reasons, we remove the effect of FAS 115 when analyzing our balance sheet. This is also the practice followed by industry analysts, rating agencies and lenders when analyzing the financial condition of Torchmark and other life insurance companies.

OTHER ITEMS IN SHAREHOLDERS' EQUITY

Because our GAAP balance sheet with the effect of FAS 115 excluded, as shown in this annual report, is the one used by analysts, rating agencies and lenders, we did not exclude the following items. However, as discussed below, management does not believe that these are meaningful assets when measuring the Company's financial position over time.

The **estimated fair value of the interest rate swaps** is an asset, net of tax, that is carried on the balance sheet. Management does not believe that it is appropriate to carry this asset for the reasons cited above in the discussion of capital gains/losses related to the swaps.

Our **goodwill** meets the GAAP rules for recognition and is carried as an asset on the balance sheet. However, management believes that no company should carry goodwill on its balance sheet because goodwill has no marketable value.

Torchmark cautions you that this Letter to Shareholders may contain forward-looking statements within the meaning of the federal securities law. These prospective statements reflect management's current expectations, but are not guarantees of future performance. Accordingly, please refer to Torchmark's cautionary statement regarding forward-looking statements, and the business environment in which the Company operates, contained in the Company's Form 10-K for the period ended December 31, 2003, found on the following pages and on file with the Securities and Exchange Commission. Torchmark specifically disclaims any obligation to update or revise any forward-looking statement because of new information, future developments or otherwise.

CONDENSED BALANCE SHEET

Unaudited and amounts in thousands

	AT DECEMBER 31,	
	2003	2002
Assets:		
Fixed maturities at amortized cost *	\$ 7,472,003	\$ 6,888,830
Cash and short-term investments	64,356	79,993
Mortgages and real estate	130,185	131,156
Other investments	405,049	385,391
Deferred acquisition costs *	2,456,657	2,303,830
Goodwill	378,436	378,436
Other assets	266,291	248,334
Separate account assets	1,693,900	1,656,795
Total assets *	\$ 12,866,877	\$ 12,072,765
Liabilities and shareholders' equity:		
Policy liabilities	\$ 6,636,669	\$ 6,130,954
Accrued income taxes *	697,223	619,391
Short-term debt	182,448	201,479
Long-term debt and trust preferred securities	693,403	695,991
Other liabilities	109,241	103,874
Separate account liabilities	1,693,900	1,656,795
Shareholders' equity, excluding FAS 115 *	2,853,993	2,664,281
Total liabilities and shareholders' equity	\$ 12,866,877	\$ 12,072,765
Actual shares outstanding:		
Basic	112,715	118,267
Diluted	113,887	118,598
Book value (shareholders' equity, excluding FAS 115) per diluted share	\$ 25.06	\$ 22.46
Net operating income as a return on average equity, excluding FAS 115	16.3%	16.5%
Average equity, excluding FAS 115	\$ 2,740,959	\$ 2,563,492
Debt to capital ratio, excluding FAS 115	23.5%	25.2%
*Reconciliation of Torchmark management's view of selected financial measures to comparable GAAP measures:		
Shareholders' equity, excluding FAS 115	\$ 2,853,993	\$ 2,664,281
Effect of FAS 115:		
Increase fixed maturities	630,807	305,562
Decrease deferred acquisition costs	(36,798)	(17,605)
Increase accrued income taxes	(207,903)	(100,785)
Shareholders' equity	\$ 3,240,099	\$ 2,851,453
Other comparable GAAP measures:		
Fixed maturities	\$ 8,102,810	\$ 7,194,392
Deferred acquisition costs	2,419,859	2,286,225
Total assets	13,460,886	12,360,722
Shareholders' equity	3,240,099	2,851,453
Accrued income taxes	905,126	720,176
Book value (shareholders' equity) per diluted share	28.45	24.04
Net income as a return on average equity	14.0%	14.6%
Average equity	\$ 3,077,941	\$ 2,630,372
Debt to capital ratio	21.3%	23.9%

This Condensed Balance Sheet has been prepared in the manner Torchmark management, industry analysts, rating agencies and financial institutions use to evaluate the financial position of the company. It differs from the Consolidated Balance Sheets found in the accompanying SEC Form 10-K.

OPERATING SUMMARY

Unaudited and in thousands except per share amounts

	TWELVE MONTHS ENDED DECEMBER 31,		
	2003	2002	% INC (DECR)
UNDERWRITING INCOME			
Life:			
Premium	\$1,310,460	\$1,220,743	7%
Net policy obligations	(566,567)	(534,507)	
Commissions and acquisition expenses	(418,342)	(387,015)	
Underwriting margin	325,551	299,221	9%
Health:			
Premium	1,034,031	1,019,120	1%
Net policy obligations	(671,998)	(658,560)	
Commissions and acquisition expenses	(197,669)	(193,073)	
Underwriting margin	164,364	167,487	(2%)
Annuity underwriting margin	10,607	13,421	
Total underwriting margin	500,522	480,129	
Other income	2,582	3,906	
Insurance administration expenses	(131,314)	(124,605)	5%
Underwriting income	371,790	359,430	3%
EXCESS INVESTMENT INCOME			
Tax-equivalent net investment income	556,647	522,319	7%
Required interest on:			
Net policy liabilities:			
Policy reserves	(351,177)	(331,758)	
Deferred acquisition costs	145,279	138,951	
Debt and distributions on Trust Preferred Securities	(29,469)	(34,513)	
Total excess investment income	321,280	294,999	9%
Tax equivalency adjustment	(3,674)	(3,701)	
Corporate expenses	(10,234)	(10,523)	
Pre-tax operating income	679,162	640,205	6%
Income tax	(232,779)	(216,596)	
NET OPERATING INCOME	\$446,383	\$423,609	5%
Operating EPS on a diluted basis	\$3.87	\$3.51	10%
Diluted average shares outstanding	115,377	120,669	
Reconciliation of net operating income to net income:			
Net operating income	\$446,383	\$423,609	
Non operating items, net of tax:			
Realized gains (losses)	(9,106)	(51,730)	
Realized gains (losses) - interest rate swaps	(10,122)	11,554	
Realized gains (losses) - sale of airplane	(525)	0	
Tax settlements	3,511	0	
NET INCOME	\$430,141	\$383,433	
EPS on a diluted basis	\$3.73	\$3.18	

The Operating Summary has been prepared in the manner Torchmark management uses to evaluate the operating results of the Company. It differs from the Consolidated Statements of Operations found in the accompanying SEC Form 10-K.

DIRECTORS

CHARLES E. ADAIR

Partner of Cordova Ventures
Atlanta, Georgia

DAVID L. BOREN

President of the University of Oklahoma,
Norman, Oklahoma

JOSEPH M. FARLEY

Of Counsel in the Birmingham, Alabama
law firm of Balch & Bingham LLP

LOUIS T. HAGOPIAN

Retired Chairman of the Board and Chief
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New York, New York

C.B. HUDSON

Chairman and Chief Executive Officer of Torchmark

JOSEPH L. LANIER, JR.

Chairman of the Board and Chief Executive Officer
of Dan River Incorporated,
Danville, Virginia

MARK S. MCANDREW

Chairman of Insurance Operations of Torchmark

HAROLD T. MCCORMICK

Chairman and Chief Executive Officer of
Bay Point Yacht and Country Club,
Panama City, Florida; Retired
President of Wheelabrator Technologies, Inc.

GEORGE J. RECORDS

Chairman of Midland Financial Co.,
Oklahoma City, Oklahoma

R.K. RICHEY

Chairman of the Executive Committee of the
Board of Directors of Torchmark
Plano, Texas

LAMAR C. SMITH

Chairman and Chief Executive Officer of First
Command Financial Services, Inc.,
Fort Worth, Texas

PAUL J. ZUCCONI

Retired Partner of KPMG LLP,
Plano, Texas

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MARK S. MCANDREW

Chairman of Insurance Operations

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Executive Vice President and Chief
Administrative Officer

GARY L. COLEMAN

Executive Vice President and
Chief Financial Officer

LARRY M. HUTCHISON

Executive Vice President and General Counsel

ANTHONY L. MCWHORTER

Executive Vice President

ROSEMARY J. MONTGOMERY

Executive Vice President and Chief Actuary

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Executive Vice President and
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Vice President and Treasurer

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Vice President, Investor Relations

CAROL A. MCCOY

Vice President, Associate Counsel and Secretary

SPENCER H. STONE

Controller

DAVID F. THORNDIKE

Vice President

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Executive Vice President and
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UNITED AMERICAN

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President of General Agency Marketing Division

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President of Branch Office Marketing Division

UNITED INVESTORS LIFE

ANTHONY L. MCWHORTER

President and Chief Executive Officer

