



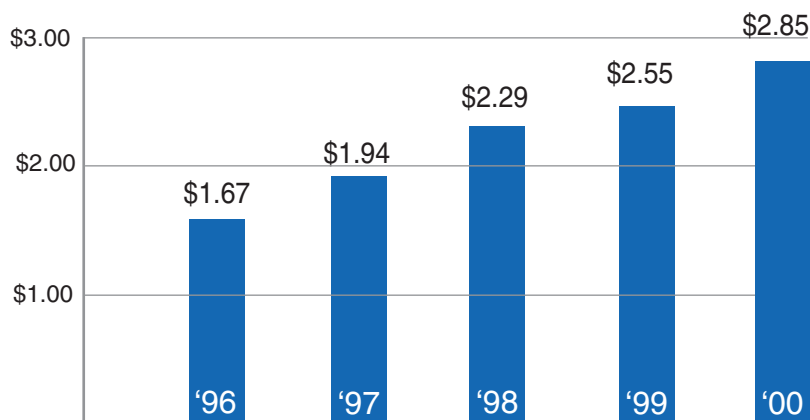
Financial Highlights

(In thousands except percent and per share amounts)

TORCHMARK CORPORATION

Operations:	2000	1999	% Change
Total Premium	\$ 2,046,210	\$ 1,884,086	8.6
Total Revenue	2,515,894	2,226,895	13.0
Net Operating Income*	365,292	341,167	7.1
Annualized Life Premium In Force	1,200,144	1,130,609	6.2
Annualized Health Premium In Force	1,004,299	884,358	13.6
Diluted Average Shares Outstanding	128,353	133,986	(4.2)
Net Operating Income As A Return On Average Common Equity**	16.3%	16.2%	
Per Common Share:			
Net Operating Income*	\$ 2.85	\$ 2.55	11.8
Shareholders' Equity At Year End **	18.53	16.32	13.5

Net Operating Income Per Common Share*



* Excludes realized investment gains and losses and the related adjustment to deferred acquisition costs, equity in Vesta earnings for periods prior to 1999, discontinued operations, a 1999 nonrecurring charge and other nonoperating items as described on page 10.

** Includes fixed maturity investments at amortized cost.



2000 was an excellent year for Torchmark. We achieved two significant milestones: (1) our annualized premium issued (new sales) surpassed the \$.5 billion mark; and (2) our premium income surpassed the \$2 billion mark.

On a per-share basis, we met our goals of double-digit growth in underwriting income and excess investment income, as well as earnings from operations. We attained these goals by remaining focused on providing protection-type insurance products to our target markets in middle income America, by growing the sales and premium income in all of our distribution systems, by remaining expense and service conscious and by managing our capital to include the repurchase of our stock.

FINANCIAL REVIEW

Key Components of Net Operating Income Per Diluted Share

	<u>2000</u>	<u>1999</u>	<u>%</u>
Insurance Underwriting Income	\$2.77	\$2.49	11
Excess Investment Income	1.77	1.61	10
Other	(.23)	(.25)	(8)
Income Tax	<u>(1.46)</u>	<u>(1.30)</u>	12
Net Operating Income, Excluding Nonrecurring Charge	2.85	2.55	12
Nonrecurring Charge	—	<u>(.10)</u>	
Net Operating Income	\$2.85	\$2.45	

For 2000, our net operating income per share increased 12% to \$2.85 compared with \$2.55 in 1999.

Annualized premium issued increased 21% to \$543 million. Premium income increased 9% to \$2.046 billion. Underwriting margins (premium income less policy obligations and acquisition expenses) increased 6% to \$463 million; underwriting income (underwriting margins plus other income less administrative expenses) increased 7% to \$356 million. On a per-share basis, underwriting income increased 11% to \$2.77.

Our excess investment income, which is our net investment income less the interest we credit or pay on our net interest-bearing liabilities, increased 5% to \$227 million. Excess investment income would have been higher were it not for our stock repurchase program where we acquired 5.8 million shares during the year at a total cost of \$135 million. On a per-share basis, excess investment income increased 10% to \$1.77.

Net operating income as a return on equity was 16.3%. Book value per share (excluding the effect of reporting the investment portfolio at market value) increased 14% to \$18.53.



INSURANCE DISTRIBUTION

United American Exclusive Agency Operation

(in millions, except %)

	Life				Health			
	2000		1999		2000		1999	
	\$	*	\$	*	\$	*	\$	*
Annualized Premium:								
Sales	5		5		145		103	
In Force	21		22		311		231	
Underwriting Margin:								
Premium	19		19		254		195	
Policy Obligations	10	51%	10	53%	162	64%	120	62%
Acquisition Expenses	7	34%	6	33%	49	19%	40	20%
Underwriting Margin	3	15%	3	14%	43	17%	35	18%

* % of Premium

Our Branch Office operation had an outstanding year. Annualized premium issued increased 39% to \$150 million. Premium income increased 28% to \$274 million, and underwriting margins increased 22% to \$46 million.

The primary reason for our sales growth was the growth in our sales force. Our branch managers increased 10% to 85, middle management increased 22% to 243, and the total sales force increased 56% to 3,661. Over 80% of our sales force has been with the company less than one year. We will continue in our efforts to recruit and train new agents, but we also look forward to continued growth in the number of our mature agents (agents who have been with the company over one year) and the higher level of individual production that comes with tenure.

With respect to health insurance, over 95% of the issued business and over 90% of the premium income were from Medicare supplements. Medicare supplement coverage is the only time-proven means that financially enables seniors to receive high quality medical care with freedom of choice as to the provider of care. Record numbers of seniors are voluntarily and involuntarily leaving HMOs (health maintenance organizations). The HMOs have experienced difficulty in controlling the costs related to care. The growing senior population and their demand for better health care services ensures the continuing need for Medicare supplement coverages.



United American General Agency Operation

(in millions, except %)

	Life				Health			
	2000		1999		2000		1999	
	\$	*	\$	*	\$	*	\$	*
Annualized Premium:								
Sales	26		13		85		68	
In Force	53		43		467		444	
Underwriting Margin:								
Premium	43		38		442		427	
Policy Obligations	19	44%	17	46%	276	62%	266	62%
Acquisition Expenses	17	41%	15	40%	86	20%	83	20%
Underwriting Margin	7	15%	5	14%	80	18%	77	18%

* % of Premium

Annualized premium issued through our independent General Agency operation increased 36% to \$111 million. Premium income increased 4% to \$485 million, and underwriting margins increased 5% to \$87 million. Unlike prior years when health insurance dominated both sales and sales growth, 2000 was a year in which both our life and our health insurance operations experienced impressive results.

Health insurance annualized premium issued increased 25% to \$85 million, and premium income increased 4% to \$442 million. Almost 70% of the issued business and over 90% of the premium income were from Medicare supplements.

Annualized life insurance premium issued was \$26 million, almost twice as much as in the prior year. Premium income increased 14% to \$43 million. Furthermore, the percentage of premium margins in our life insurance operations is growing. Several years ago our margins were too low as a result of higher than expected mortality experience. We repriced our products and altered our underwriting methods. The net result is that the business we are currently issuing has higher expected underwriting margins. Therefore, as we continue to grow our premium income, we can expect greater growth in underwriting margins.

We have always welcomed general agencies of all sizes to represent our products, and we will continue to do so. But in recent years we have put additional efforts into developing relationships with larger and more experienced agencies that may write even larger volumes of new business with the aid of our marketing support. In addition, these larger agencies have learned the advantages of representing an underwriter that is both financially strong and less likely to make abrupt changes that could disrupt their businesses. United American has such a reputation.



Liberty National Agency Operation

(in millions, except %)

	Life				Health			
	2000		1999		2000		1999	
	\$	*	\$	*	\$	*	\$	*
Annualized Premium:								
Sales	54		51		10		10	
In Force	312		307		163		149	
Underwriting Margin:								
Premium	294		288		151		144	
Policy Obligations	134	46%	133	46%	106	70%	103	72%
Acquisition Expenses	88	30%	83	29%	27	18%	27	19%
Underwriting Margin	71	24%	72	25%	18	12%	14	10%

* % of Premium

Annualized premium issued through our Liberty National Agency operation increased 4% to \$64 million. Premium income increased 3% to \$446 million, and underwriting margins increased 4% to \$90 million.

We ended the year with 2,032 agents in our 107 district offices located in six states in the southeastern part of the country. Although we grew our sales force by 7% during the year, which was more growth in agents than in any of the last ten years, our life insurance sales only grew 4% to \$54 million of annualized premium issued. As a result, our objective for 2001 is to grow our agent count by at least 10% to well over 2,200 agents.

For the past several years our health insurance margins have suffered from a block of cancer business that was subject to a class action settlement in 1994. As a result of the settlement, benefits were increased substantially, but the Company was prohibited from increasing premiums until 1997. This block of business, which represented about 50% of Liberty's health premiums for 2000, has experienced very high claims loss ratios and reduced health underwriting margins to a low of 10% of premium in 1999. Fortunately, 2000 was a reversal of the downward trend as the underwriting margins increased to 12% of premium income. We will continue to monitor this business and implement rate increases that should gradually increase our underwriting margins to more acceptable levels.



American Income Agency Operation

(in millions, except %)

	Life				Health			
	2000		1999		2000		1999	
	\$	*	\$	*	\$	*	\$	*
Annualized Premium:								
Sales	57		54		9		8	
In Force	245		231		48		47	
Underwriting Margin:								
Premium	231		217		48		48	
Policy Obligations	81	35%	76	35%	19	39%	19	40%
Acquisition Expenses	86	37%	80	37%	12	24%	11	24%
Underwriting Margin	65	28%	62	28%	18	37%	17	36%

* % of Premium

Annualized premium issued through the American Income Agency operation increased 5% to \$65 million. Premium income and underwriting margins increased 5% to \$279 million and \$83 million, respectively.

American Income is a "union label" company. The sales force, with the endorsement of unions at the local level, sells life and supplemental health insurance to union members.

During the year, we increased our sales force 13% to 1,352 agents. The growth in agents was a reversal of a downward trend that began in 1998. The turnaround in agent count is the result of implementing recruiting standards similar to those in the United American Branch Office operation. Going forward into 2001, we believe that our operation is not only positioned for another double-digit growth rate in agents, but also for a double-digit growth rate in sales.

Direct Response Operations

(in millions, except %)

	Life				Health			
	2000		1999		2000		1999	
	\$	*	\$	*	\$	*	\$	*
Annualized Premium:								
Sales	113		96		4		4	
In Force	306		283		16		13	
Underwriting Margin:								
Premium	268		246		15		12	
Policy Obligations	122	46%	112	46%	12	82%	10	82%
Acquisition Expenses	75	28%	65	26%	1	6%	1	6%
Underwriting Margin	71	26%	69	28%	2	12%	1	12%

* % of Premium



Annualized premium issued through our Direct Response operations increased 16% to \$116 million. Premium income increased 10% to \$283 million, and underwriting margins increased 3% to \$72 million.

In recent years, including 2000, we have aggressively expanded our life insurance sales. As a result, we put some business on the books that has not generated acceptable returns on investment – not by design, it just worked out that way. But in 2000, our objective was to produce new life business that, in total, generated underwriting margins of no less than 26% of premium and returns on investment of no less than 20%. We believe we accomplished this objective.

Late in the year we implemented some simple underwriting changes. (They must be simple considering that we are issuing just under 900,000 policies per year.) We believe these changes may have a significant impact on the mortality experience of our new life business. Although these changes will reduce our ratio of issued policies to applications received, we believe the rejected business would have produced future claims well in excess of the premium income that would have been generated had we issued those policies. Although a few years must pass before we can confirm our expectations, these changes may not only increase our underwriting margins, but also allow us to enter target markets which we had previously abandoned.

Going forward into 2001, we will expand our sales efforts in those areas that produce high returns, and continue to identify and withdraw from areas that produce unacceptable returns on investment. Our objective for the coming year is to generate new sales that have overall margins and returns on investment greater than those generated in 2000.

Other Independent Agency Operations

(in millions, except %)

	Life			
	2000		1999	
	\$	*	\$	*
Annualized Premium:				
Sales	37		37	
In Force	262		243	
Underwriting Margin:				
Premium	227		210	
Policy Obligations	96	42%	85	40%
Acquisition Expenses	76	34%	71	34%
Underwriting Margin	55	24%	54	26%

* % of Premium

Annualized premium issued through our Other Independent Agency operations increased 1% to \$37 million. Premium income increased 8% to \$227 million, and underwriting margins increased 2% to \$55 million.

Our primary independent agency relationship is our military operation which is comprised of a large agency that sells exclusively to commissioned and noncommissioned military officers and their families.



This agency is responsible for over 50% of the sales, premiums, and underwriting margins of our Other Independent Agency operations. The military agency writes for several other insurers, but over the past ten years we have earned an increasingly larger portion of this agency's life production. From receiving about 20% of their total production in the early 90's, our share was in excess of 50% of their total production in 2000. We will strive to earn more of their production and the production of our other independent partners in the future. In addition, we will continue to seek new partners for the sale of life insurance.

ADMINISTRATIVE EXPENSES

Insurance administrative expenses increased 7% to \$112 million. However, as a percentage of premium income, administrative expenses declined from 5.6% in 1999 to 5.5% in 2000.

Torchmark has long been recognized as a low cost administrator of business. Our efficiency is derived from our dedication to simplifying procedures and then automating them. These actions not only reduce costs, but also improve service to customers, both policyholders and agents.

The new technology available to us today is more user-friendly and more flexible – and it is dramatically less expensive. We intend to utilize this new technology to make even greater strides in improving service and reducing costs.

INVESTMENTS

2000 Investment Income

(in millions, except % and per share amounts)

	<u>Total *</u>	<u>Required</u>	<u>Excess</u>
(1) Invested Assets Supporting:			
Net Interest-Bearing Policy Liabilities:			
Life and Health Insurance	\$190	\$149	\$ 41
Annuities	39	35	4
Debt	68	70**	(2)
(2) Remaining Invested Assets	<u>184</u>	<u>--</u>	<u>184</u>
	\$481	\$254	\$227
Per Diluted Share	\$3.75	\$1.98	\$1.77
Increase Over 1999	10%	9%	10%

* 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.

** Consists of interest on debt and dividends on monthly income preferred securities.

Our investment strategy is to maximize the positive difference between investment yield and required yield on our net liabilities, and to avoid uncompensated risk. Our investment portfolio is concentrated in high quality fixed-maturity assets, which represented 86% of our invested assets at year-end. The average credit rating quality of the fixed-maturity portfolio was A- as rated by Standard & Poor's and A2 as rated by Moody's.



On a tax equivalent basis (i.e., recognizing that certain bonds are subject to lower federal taxes), our net investment income was \$481 million. Excess investment income is the difference between our net investment income and the interest required on our net interest-bearing liabilities. Required investment income was \$254 million, resulting in excess investment income of \$227 million.

Because of our stock repurchase program and our debt reduction efforts, comparing the change in excess investment income from one year to the next is misleading. A better comparison is on a per-share basis. Although excess investment income increased 5% in 2000, the increase was 10% on a per-share basis.

As a general rule, the operating results of insurance companies are adversely affected by rising interest rates. This rule does not apply to Torchmark. Our cash generating abilities and the characteristics of our liabilities and invested assets assures us of continued growth in excess investment income, especially in periods of rising interest rates.

SHARE REPURCHASE PROGRAM

During the year we repurchased 5.8 million shares or 4% of our outstanding stock for a total of \$135 million. Since 1986, we have repurchased 47% of our outstanding stock, and we expect to continue our repurchase program into the future as a means of enhancing shareholder intrinsic value.

OUTLOOK

In 2001, we expect that all six of our distribution systems will experience continued growth in premium income and underwriting margins, we expect administrative expenses to decline as a percentage of premium income and we expect continued growth in our underwriting income. The cash that we generate within our operations will also grow, and we will utilize the cash to increase our invested assets, to reduce our higher cost debt and/or to repurchase our stock. Our goal will be to continue to increase the intrinsic value of our shareholders' stock. We expect 2001 to be another excellent year for Torchmark.

A handwritten signature in blue ink that reads "C. B. Hudson".

C. B. Hudson

Chairman, President and Chief Executive Officer

Torchmark cautions you that the Letter to Shareholders above contains forward-looking statements provided for general guidance purposes only. Accordingly, you are referred to the Company's cautionary statement regarding forward-looking statements contained in our Form 10-K for the fiscal year ended December 31, 2000, which is on file with the Securities and Exchange Commission and is a matter of public record.

Condensed Consolidated Statement of Net Operating Income



(Unaudited and in thousands except per share amounts)

	Twelve months ended December 31,		% Incr (Decr)
	2000	1999	
Revenue:			
Life premium	\$1,082,904	\$ 1,018,869	6 %
Health premium	911,156	824,816	10
Other premium	52,150	40,401	29
Total	2,046,210	1,884,086	9
Investment income:			
Taxable equivalent basis	481,081	458,824	5
Taxable equivalent adjustment	(8,655)	(11,487)	
Other income	4,650	3,348	
Total revenue	2,523,286	2,334,771	8
Benefits and expenses:			
Policy obligations:			
Life	461,720	434,182	6
Health	575,286	518,518	11
Other	(2,937)	(3,814)	(23)
Commissions and acquisition expenses:			
Life	349,437	320,282	9
Health	174,754	161,666	8
Other	25,212	18,520	36
Interest on net policy liabilities:			
Life	148,393	137,875	8
Health	829	4,676	(82)
Other	34,564	34,455	--
Insurance administrative expenses	111,817	104,903	7
Corporate expenses	9,369	10,166	(8)
Interest on debt and dividends on MIPS	70,309	66,431	6
Amortization of goodwill	12,075	12,075	--
Income taxes	187,166	173,669	8
Total benefits and expenses	2,157,994	1,993,604	8 %

Net operating income, excluding the 1999 nonrecurring charge	\$ 365,292	\$ 341,167	7 %
Net operating income, excluding the 1999 nonrecurring charge, per diluted share	\$ 2.85	\$ 2.55	12 %
Diluted average shares outstanding	128,353	133,986	

Net operating income, excluding the 1999 nonrecurring charge	\$ 365,292	\$ 341,167
Nonrecurring charge, net of tax	--	(13,423)
Non operating items, net of tax:		
Realized losses and related DAC adjustment	(3,459)	(72,131)
Gain on sale of equipment	--	3,317
Discontinued operations - Waddell & Reed	--	(1,060)
Gain on redemption of debt	202	--
Change in accounting principle	--	16,086
Net income	<u>\$ 362,035</u>	<u>\$ 273,956</u>

The Condensed Consolidated Statement of Net Operating Income has been prepared in the manner Torchmark management uses to evaluate the operating results of the company. It differs from the Consolidated Statement of Operations found in the attached SEC Form 10-K, primarily by the reclassification of interest on net policy liabilities and the exclusion of the nonoperating items listed above.

Condensed Consolidated Balance Sheet



(Amounts in thousands)

	At December 31,	
	2000	1999
Assets:		
Fixed maturities	\$ 5,949,515	\$ 5,679,795
Cash and short-term investments	135,635	114,628
Mortgages and real estate	134,125	110,978
Other investments	287,017	296,850
Deferred acquisition costs	2,075,319	1,893,322
Goodwill	390,509	402,584
Other assets	249,023	219,832
Separate account assets	3,741,415	3,413,675
Total assets	\$ 12,962,558	\$ 12,131,664

Liabilities and shareholders' equity:

Policy liabilities	\$ 5,523,016	\$ 5,252,427
Accrued income taxes	423,327	309,271
Short-term debt	329,148	418,394
Long-term debt	365,989	371,555
Other liabilities	183,908	179,681
Separate account liabilities	3,741,415	3,413,675
Monthly income preferred securities (MIPS)	193,395	193,324
Shareholders' equity	2,202,360	1,993,337
Total liabilities and shareholders' equity	\$ 12,962,558	\$ 12,131,664

Actual shares outstanding:

Basic	126,389	131,996
Diluted	127,339	132,348

Excluding the fair value adjustment under Accounting Standard FAS 115:

Shareholders' equity	\$ 2,341,584	\$ 2,154,386
Book value per common share	\$18.53	\$16.32
Return on equity	16.3%	16.2%
Debt to capital ratio	21.5%	25.2%

Annualized life and health premium in force:

Life	\$ 1,200,144	\$ 1,130,609
Health	1,004,299	884,358
Total	\$ 2,204,443	\$ 2,014,967

The complete financial statements are found in the attached SEC Form 10-K with additional schedules and footnotes thereto.



Directors

David L. Boren

President of the University of Oklahoma
Norman, OK

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 Executive Officer of NW Ayer, Inc.
New York, NY

C.B. Hudson

Chairman, President and Chief
Executive Officer of Torchmark

Joseph L. Lanier, Jr.

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

Mark S. McAndrew

Chairman, President and Chief Executive
Officer of United American, Globe and
American Income

Harold T. McCormick

Chairman and Chief Executive Officer
of Bay Point Yacht and Country Club
Panama City, FL

George J. Records

Chairman of Midland Financial Co.
Oklahoma City, OK

R.K. Richey

Chairman of the Executive Committee
of the Board of Directors of Torchmark

Lamar C. Smith

Chairman and Chief Executive Officer
of United Services Planning Association and
Independent Research Agency
Fort Worth, TX

Officers

C.B. Hudson - Chairman , President and Chief Executive Officer

Tony G. Brill - Executive Vice President and
Chief Administrative Officer

Gary L. Coleman - Executive Vice President and
Chief Financial Officer

Michael K. Fagin - Vice President

Larry M. Hutchison - Executive Vice President and General Counsel

Michael J. Klyce - Vice President and Treasurer

Joyce L. Lane - Vice President, Investor Relations

Mark S. McAndrew - Executive Vice President

Carol A. McCoy - Associate Counsel and Corporate Secretary

Anthony L. McWhorter - Executive Vice President

Rosemary J. Montgomery - Executive Vice President and
Chief Actuary

Spencer H. Stone - Controller

David F. Thorndike - Vice President

Russell B. Tucker - Vice President

SUBSIDIARY OFFICERS

American Income Life

Mark S. McAndrew - Chairman, President and
Chief Executive Officer

Roger Smith - Executive Vice President and Sales Director

Globe Life

Mark S. McAndrew - Chairman, President and
Chief Executive Officer

George B. Burke - Executive Vice President

Glenn D. Williams - Executive Vice President

Liberty National Life

Anthony L. McWhorter - Chairman, President and
Chief Executive Officer

Vurl E. Duce - Executive Vice President and Chief Marketing Officer

United American

Mark S. McAndrew - Chairman, President and
Chief Executive Officer

Gene P. Grimland - President of General Agency Marketing Division

Andrew W. King - President of Branch Office Marketing Division

United Investors Life

Anthony L. McWhorter - Chairman, President and
Chief Executive Officer