

TORCHMARK CORP
Form 10-Q
August 06, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 2010

Commission File Number 1-8052

TORCHMARK CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of

63-0780404
(I.R.S. Employer

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incorporation or organization)	Identification No.)
3700 South Stonebridge Drive, McKinney, Texas	75070
Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code (972) 569-4000	

NONE

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding for each of the issuer's classes of common stock, as of the last practicable date.

CLASS	OUTSTANDING AT July 29, 2010
Common Stock, \$1.00 Par Value	80,825,323

Index of Exhibits (Page 63).

Total number of pages included are 64.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

TORCHMARK CORPORATION**CONSOLIDATED BALANCE SHEETS****(Dollar amounts in thousands except per share data)**

	June 30, 2010 (Unaudited)	December 31, 2009 *
Assets		
Investments:		
Fixed maturities, available for sale, at fair value (amortized cost: 2010 \$10,746,458; 2009 \$10,152,070)	\$ 10,924,220	\$ 9,696,355
Equity securities, at fair value (cost: 2010 \$14,875; 2009 \$14,875)	16,137	16,722
Policy loans	396,382	384,083
Other long-term investments	43,764	52,428
Short-term investments	254,220	357,599
Total investments	11,634,723	10,507,187
Cash	27,292	231,918
Accrued investment income	191,427	179,132
Other receivables	200,339	197,234
Deferred acquisition costs and value of insurance purchased	3,460,764	3,457,138
Goodwill	423,519	423,519
Other assets	298,794	234,808
Separate account assets	713,351	792,823
Total assets	\$ 16,950,209	\$ 16,023,759
Liabilities and Shareholders Equity		
Liabilities:		
Future policy benefits	\$ 9,369,669	\$ 9,140,473
Unearned and advance premiums	83,086	82,488
Policy claims and other benefits payable	226,836	220,155
Other policyholders funds	90,297	90,397
Total policy liabilities	9,769,888	9,533,513
Current and deferred income taxes payable	1,204,453	966,426
Other liabilities	203,220	178,328
Short-term debt	200,452	233,307
Long-term debt (fair value: 2010 \$939,053; 2009 \$867,519)	789,208	796,050
Due to affiliates	124,421	124,421
Separate account liabilities	713,351	792,823
Total liabilities	13,004,993	12,624,868
Shareholders equity:		

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Preferred stock, par value \$1 per share Authorized 5,000,000 shares; outstanding: -0- in 2010 and in 2009	0	0
Common stock, par value \$1 per share Authorized 320,000,000 shares; outstanding: (2010 83,874,748 issued, less 2,380,514 held in treasury and 2009 83,874,748 issued, less 1,034,022 held in treasury)	83,875	83,875
Additional paid-in capital	443,792	441,361
Accumulated other comprehensive income (loss)	72,708	(319,183)
Retained earnings	3,452,243	3,228,904
Treasury stock, at cost	(107,402)	(36,066)
Total shareholders' equity	3,945,216	3,398,891
Total liabilities and shareholders' equity	\$ 16,950,209	\$ 16,023,759

* Derived from audited financial statements

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**TORCHMARK CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited and in thousands except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenue:				
Life premium	\$ 433,828	\$ 415,044	\$ 864,127	\$ 827,792
Health premium	252,086	264,014	508,952	535,354
Other premium	2,191	2,483	4,395	4,880
Total premium	688,105	681,541	1,377,474	1,368,026
Net investment income	181,620	167,354	358,919	336,397
Realized investment gains (losses)	(5,476)	8,478	3,989	8,592
Other-than-temporary impairments	0	(34,665)	(1,712)	(87,078)
Portion of impairment loss recognized in other comprehensive income	0	(3,442)	0	2,562
Other income	728	468	1,112	873
Total revenue	864,977	819,734	1,739,782	1,629,372
Benefits and expenses:				
Life policyholder benefits	283,131	276,102	565,761	546,436
Health policyholder benefits	173,317	179,422	362,862	376,202
Other policyholder benefits	12,009	8,811	23,607	19,311
Total policyholder benefits	468,457	464,335	952,230	941,949
Amortization of deferred acquisition costs	108,867	104,205	222,273	218,873
Commissions and premium taxes	33,027	30,635	64,851	62,241
Other operating expense	45,840	45,236	89,270	89,026
Interest expense	18,812	14,916	37,749	30,580
Total benefits and expenses	675,003	659,327	1,366,373	1,342,669
Income before income taxes	189,974	160,407	373,409	286,703
Income taxes	(63,925)	(46,289)	(125,684)	(95,879)
Net income	\$ 126,049	\$ 114,118	\$ 247,725	\$ 190,824
Basic net income per share	\$ 1.54	\$ 1.38	\$ 3.01	\$ 2.29
Diluted net income per share	\$ 1.53	\$ 1.38	\$ 2.98	\$ 2.29
Dividends declared per common share	\$ 0.15	\$ 0.14	\$ 0.30	\$ 0.28

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**TORCHMARK CORPORATION****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited and in thousands)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income	\$ 126,049	\$ 114,118	\$ 247,725	\$ 190,824
Other comprehensive income (loss):				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during period	343,548	850,294	638,727	366,236
Less: reclassification adjustment for (gains) losses on securities included in net income	4,247	26,091	(3,506)	78,390
Less: reclassification adjustment for other-than-temporarily impaired debt securities for which a portion of the loss was recognized in earnings	0	3,442	0	(2,562)
Less: reclassification adjustment for amortization of (discount) and premium	(578)	(1,436)	(1,445)	(4,503)
Less: foreign exchange adjustment on securities marked to market	2,333	(7,110)	(884)	(6,007)
Unrealized gains (losses) on securities				