TORCHMARK CORPORATION
4^{TH} QUARTER 2006 CONFERENCE CALL
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Corporation Participants
Mark McAndew, Chairman and CEO
Gary L. Coleman, EVP and CFO
Larry Hutchison, EVP & General Counsel
Rosemary Montgomery, EVP and Chief Actuary
Joyce Lane, VP Investor Relations

Mark McAndrew: Thank you. Good morning, everyone. Joining me this morning is Gary Coleman, our Chief Financial Officer; Larry Hutchison, our General Counsel; Rosemary Montgomery, our Chief Actuary; and Joyce Lane, Vice President of Investor Relations. Some of my comments or answers to your questions may contain forward-looking statements that are provided for general guidance purposes only. Accordingly, please refer to our 2005 10-K which is on file with the SEC.

Net operating income before stock-option expense for the fourth quarter was $132 million or $1.32 per share, a 13% increase compared to the $1.17 for the year-ago quarter. Net operating income including stock-option expense was $131 million or $1.31 per share. Our return on equity was 15.8% for the quarter, and our book value was $33.25, a 9% increase for the year. In our life insurance operations, premium revenue grew 3% to $381 million and life underwriting margin also grew 3% to $102 million. Life insurance net sales declined 5% to $61 million for the quarter, and first-year collected premiums declined 7% to $50 million.

In our Direct Response operation, life premiums grew 7% to $114 million and underwriting margins grew 2%. Life insurance net sales were unchanged from last year at $25 million and first-year collected premiums were also flat at $18.5 million.

For the quarter, net sales of our juvenile life insurance products grew 18% to $8.2 million, driven by a 47% increase in our direct mail channel. Net cross sales to the parents of our juvenile insureds increased 11% for the quarter to $6.9 million. These increases were offset by an 18% decline in sales of adult policies to the general public from $10 million down to $8.2 million. These adult policy sales to the general public have been generated almost entirely through insert media. The insert media distribution has, up until now, been controlled by an outside vendor, Direct Marketing Advertising Distributors, DMAD.

As previously announced, we acquired the assets of DMAD last month for $47 million. Had we not made this acquisition we would have expected similar or greater declines in our insert media sales for 2007.

It is premature for us to forecast these insert media sales for 2007. At this time we expect to continue to see a decline in these sales during the first quarter with a turnaround in the second quarter. We expect to see growth in our insert media sales during the second half of this year, although we cannot yet predict the amount of the growth. On the direct mail side, we expect to continue to see double-digit growth in both new juvenile and parent sales for the entire year.

At American Income, life premiums grew 8% to $105 million for the quarter and underwriting margin increased 1% to $31 million. Net life sales were up 4% to $21 million and first-year collected premiums grew 1% to $18 million.

The producing agent count at American Income increased 16% from a year ago to 2,353, although it dropped by 95 during the quarter as a result of a decline in new agent recruiting.

During November and December, all of our captive agency operations experienced a decline in new agent recruiting as a result of some unforeseen problems in our Internet recruiting program. Part of our problem involved internal server capacity which was fairly easy to fix. The second part of the problem was a little more difficult.

Most of the responses we receive to our Internet recruiting program come from emails which we send to selected people who have posted their resumes on various Internet sites. During the fourth quarter, several of the large Internet service providers began filtering these emails as spam due to the ever-increasing volumes we were sending. As a result, each of our captive agency operations saw their total Internet recruiting responses drop by over 40% during November and December. We have found a solution to this problem and responses in January of this year have returned to more normal levels.

American Income turned the corner in 2006 after two years of declining sales. While the growth in the fourth quarter was somewhat less than I had hoped, I believe we have renewed positive momentum which will be reflected in accelerating sales growth in 2007.

At Liberty National, life premiums and underwriting margin both declined 2% to $74 million and $21 million respectively. Net life sales dropped 23% to $9.2 million, and first-year collected premiums were down 12% to $7.8 million.

The producing agent count was 1,381 at year end, down 22% from a year ago and 17% from the third quarter. During the fourth quarter, we recruited 270 fewer new producing agents than we did in the third quarter, due primarily to the problems I previously mentioned. While this accounts for most of the decline in producing agents, our renewal year agents were also down 93 for the quarter, which was more than anticipated as a continued result of the compensation changes we made earlier in the year.

It is difficult to predict sales results for Liberty National in 2007. We anticipate the renewal year agent count to stabilize in the first quarter, and we expect new agent recruiting to return to the levels we achieved during the third quarter. While we expect to see life sales increase from the fourth quarter level, we're estimating a mid-single-digit decline in new sales for the full year of 2007. The decline in sales and premiums at Liberty National should be more than offset by improvements in total underwriting margins.

On the health side, premium revenue, excluding Part D, grew 5% for the quarter to $258 million and underwriting margin increased 7% to $46 million. Health net sales, again excluding Part D, grew 22% to $64 million and first-year collected premiums were up 30% to $49 million.

For the independent agency operation at United American, health premiums were down 2% for the quarter with underwriting margins down 6% to $17 million. Net health sales were flat with a year ago, and first-year collected premiums were down 4% for the quarter.

We expect to see improvement in this distribution system in 2007 as the new marketing organizations begin producing during the first quarter of this year. While our guidance assumes mid-single-digit growth in new sales for the year, there is potential for significantly better sales results in this market.

On the branch office side, health premiums were up 15% to $93 million, and underwriting margin grew 11% to $13 million. Net health sales were up 42% to $44 million, and first-year collected premiums grew 62% to $31 million.

While the growth in producing agents slowed during the fourth quarter, the count grew 39% for the full year to 3,015. While we don't anticipate we can duplicate the same percentage growth in new sales we saw in 2006, we believe an additional 20% increase in 2007 is very realistic.

Premium revenues from the Medicare Part D prescription drug program were $57 million for the quarter with underwriting margin of $8.5 million. The additional 3% underwriting margin for the quarter reflects the recognition of additional manufacturer rebates which exceeded the guaranteed levels.

Since the beginning of the open enrollment period on November 15th through the end of January, we enrolled over 17,000 new individuals in Part D. This was offset by 25,000 disenrollments during the same period for a net loss of 7,600 enrollees.

For 2007, we anticipate premium revenues from Part D to be between $210 and $215 million with an underwriting margin in the 8% to 9% range. At the time we filed our rates for 2007 in May of 2006, it appeared to us that our claims experience would be better than it ultimately turned out to be. As a result, it does not appear that we will hit our target of 11% underwriting margin for 2007.

Administrative expenses were $38.1 million for the quarter, down 1% from a year ago. For 2007, our projection is for administrative expenses to increase by about 3%.

I will now turn the call over to Gary Coleman, our Chief Financial Officer, for his comments on our investment operations.

Gary Coleman: Good morning. I want to spend a few minutes discussing investments, excess investment income, and share repurchases.

First, the investments. Torchmark has $8.9 billion of bonds at amortized cost, which comprise 94% of invested assets. Investment grade bonds total $8.2 billion and have an average rating of A-. Below investment grade bonds are $668 million and comprise 7.1% of invested assets, the lowest that this percentage has been since the first quarter of 2001. Overall, the total portfolio is rated A- compared to BBB+ a year ago.

Regarding new investments, we continued our practice of investing long when finding quality bonds yielding in excess of 6.5%. In the quarter, we invested $360 million at an average annual effective yield of 6.65%, an average life of 22 years, and an average rating of A-. For the year, the yield on new investments was 6.7% compared to 5.9% a year ago.

Although we saw improvement in 2006, the yield on new investments was still lower than the portfolio yield. The average yield on the portfolio in the fourth quarter was 7.01%, 12 basis points lower than last year.

Now, as to excess investment income. It was $80 million in the fourth quarter, same as a year ago. On a per share basis, excess investment income increased 4%, which reflects the effect of our stock repurchase program.

Late in the second quarter, Torchmark issued $370 million of debt and trust preferred securities to prefund the retirement of $330 million of similar securities in the fourth quarter. During the fourth quarter, but prior to the retirement of the existing debt, interest expense of $4 million was incurred on the new securities. However, this expense was offset by a similar $4 million of investment income earned on the proceeds.

Now, excluding the investment income and interest expense related to the prefunding, the components of the change in excess investment income is as follows: Net investment income was up $4 million, or 2.5%, slightly lower than the 4% increase in average invested assets; and, interest costs on the net policy liabilities also increased $4 million, or 6.7%, which was in line with the similar increase in the average liabilities.

For the full year, excess investment income was $319 million, up 3% on a per share basis, but $5 million lower than in 2005. The decline was due to the lower yields on new investments and higher borrowing costs. In 2007, we should see growth in actual investment income as well as on a per share basis. The growth will result from growth in invested assets and lower financing costs due to the earlier termination of the interest rate swaps, and the 2006 debt refinancing.

Finally, I would like to make a few comments about our share repurchase program. In 2006, we spent $320 million to buy 5.6 million Torchmark shares. This is comparable to the $300 million used to buy 5.6 million shares in 2005.

We use our free cash flow at the holding company to fund stock repurchases. In 2007, we expect free cash flow to be at least $340 million. With our debt at an appropriate level, and as long as the stock is valued such that repurchases provide a superior return over other investment alternatives, we expect that the stock repurchases will once again be the best use of our free cash flow.

Those are my comments. I will now turn the call back to Mark.

Mark McAndrew: Thank you, Gary.

For 2007, we currently expect net operating income per share of $5.32, plus or minus $.04 per share, an increase which ranges from 5.8% to 7.4%. The biggest single factor causing our less than expected growth projection is the Medicare Part D program, which added $.13 to our 2006 earnings per share. We expect this segment will only contribute $.08 per share in 2007.

Those are my comments. I will now open it up for questions.

Jimmy Bhullar, J. P. Morgan: Hi, thank you. Mark, I have a couple of questions. Just first on your agent count being down at Liberty National and American Income, if you can discuss what's going on there and what is your expectation for that in '07? And then, second, in the Direct Response channel, both in life and health, especially in life, sales were actually very weak after showing some improvement in the third quarter, so if you can address that also. And that's it.

Mark McAndrew: Okay. On the first thing on the agent counts at American Income and Liberty National. Again, with the problems we had, our new agent recruiting was down in the fourth quarter at both companies, primarily as the result of the problems we had in our Internet recruiting. The responses we are getting in in January are back up. I do expect new agent recruiting to follow that. In fact, I know American Income had their best recruiting January ever, so, particularly at American Income I expect to see renewed growth in the agent count in the first quarter, and really throughout the year. So I'm very optimistic that we'll continue to see accelerating growth there.

Liberty National, it did take a little bigger step back than what I thought it would. Part of that was brought on by the problems we had in our Internet recruiting program, which, again, I expect to see better recruiting results in the first quarter. But it is going to take us a little longer to get that turned around. Right now, if I look at our projections for this year, we're not looking for growth in sales until the fourth quarter of this year.

On the Direct Response side, they do – again, in the Direct Response – on the direct mail portion of that, we have seen good growth in sales throughout the year. A year ago, the projections I was given by DMAD indicated a 7% to 10% growth in the insert media sales in Direct Response. That turned out not to be the case. In fact, for the first three quarters their circulation was down 15%. In the fourth quarter, they reduced their circulation by 30%. So we did see – while we saw declines in that marketplace during the first three quarters, the declines were greater – again, it was 18% decline in the adult policy sales from DMAD in the fourth quarter, which brought our total sales back to flat. In the first quarter of this year, subsequent to the acquisition – well, again, their projections for 2007 was an additional 30% decline in circulation. We were able to, after the acquisition, bring the first quarter up to where it was just a 10% reduction. The second quarter, which we're just now buying that media, it looks like the volume will at least be as the same level as 2006. So we should start seeing a turnaround in the second quarter of this year in the insert media sales. The direct mail side, we continue to expect double-digit growth in both the juvenile and the parent sales for the full year.

Jimmy Bhullar: Okay. And just following up on Liberty National, the agent count – actually I think it declined by 290 agents, so that couldn't have all been just recruiting. Was there retention issue also?

Mark McAndrew: No, we didn't recruit 270 fewer agents in the quarter – producing agents, which obviously is most of that number, but we also lost 93 veteran agents, which is more than I had anticipated. Part of that was when we made the changes in May, the existing agents, we allowed to keep their service salaries as long as they achieved certain production levels. If they did not achieve those levels in a month, their service salaries were gradually brought down. So I think what we have really seen was that as the year progressed and those service salaries continued to decline that we did continue to see some higher turnover in the veteran agents. We believe that will stabilize in the first quarter.

Jimmy Bhullar: Okay. Thank you.

David Lewis, Suntrust Robinson Humphrey: Thank you, and good afternoon. Mark, you just indicated that American Income's January recruiting was the best ever. Can you give us any details on that?

Mark McAndrew: I don't have those numbers in front of me right at – well, just a minute, I may. I don't have historical numbers. No, I can get those for you, but I don't have them in front of me.

David Lewis: Do you have any expectations of what you think recruiting might actually be for the full year if it trends as you anticipate?

Mark McAndrew: David, I really – that's not a number that I have really projected out. So, again, I really – we could put something together, but I don't have that right now.

David Lewis: Okay. And based on your current sales guidance that you put out there, give us a general sense of what you think life and health premium growth might be in 2007. I think it was up on the life side 3%, given what happened with sales, wouldn't that pull back to somewhere in the 1% to 2% range?

Mark McAndrew: Well, right now our current projections, which was included in our guidance, we're expecting overall – roughly a 3% growth in life sales for the year, which gives us growth in life premiums of still the 3%. On the health side, overall we're expecting growth of about 15%, which gets us in closer to the 5% growth in total health premiums. Again, the health premium may be a little bit conservative.

<u>David Lewis</u>: Okay. That's helpful. And just finally, this may be for Gary. Can you tell us what the fourth quarter '06 and full year 2006 prepayment gains were? And maybe what your expectations are for '07 versus '06?

<u>Gary Coleman</u>: David, we have very little prepayment gains. Matter of fact, there is virtually none.

<u>David Lewis</u>: For the full year of 2006?

<u>Gary Coleman</u>: Yes.

<u>David Lewis</u>: Is there some reason? I mean, the whole industry has seen pretty strong gains overall. Is there some reason why you're not seeing it in your portfolio?

<u>Gary Coleman</u>: Because we don't have any of those type of investments.

<u>David Lewis</u>: Okay. Thanks very much.

<u>Tamara Kravec, Bank of America Securities</u>: Thank you, good morning. If you could elaborate – you had said that you are confident that at Liberty National the turnover in veteran agents will get better. If you can just give us some detail as to why you are confident that that will stabilize. And my other question was related to Medicare Part D. I couldn't remember if the $.08 per share was a number you had given out before, or is this the first time that we are kind of seeing the decline from $.12 to $.08? Thanks.

<u>Mark McAndrew</u>: Okay. Well at Liberty National, again, I believe that the decline in the veteran agents is mostly the result of the service salaries going away from the below average producers. And in looking at the trend there it just appears that that turnover should diminish in the first quarter.

As far as the Medicare Part D, in 2006, as well as 2007 and beyond, we target an 11% underwriting margin. Our experience in 2006 was somewhat better. This is the first time, until we saw the full year results for Part D, that we have said that the margin will only be 8% to 9% for next year – and it goes back to we had to price 2007 in May of 2006. At that time, we only had three months experience, and our experience at that time looked to be significantly better than where it ended up being. In fact, if you remember, I think even six months ago we said that it looked like we may have 15% underwriting margin for 2006. It turned out that claims did not go down as much as we thought they would, so our margins for the year 2007 will be less than our target. Again, when we price for 2008, we'll now have a full year's experience. We should see it come back at that 11% range going forward.

<u>Tamara Kravec</u>: Okay. Great. Thank you.

<u>Tom Gallagher, Credit Suisse</u>: Hi. Just one question on Part D and then another one on Direct Response. On the Part D side, can you just talk a little bit about what you think is going to pressure margins? Is it the competitive environment pricing or is it more on the claims side? And then on the Direct Response acquisition that you had done, should we view this as more of a defensive acquisition for the insert business, or maybe if you could just expand a bit on that?

<u>Mark McAndrew</u>: Okay. Rosemary do you want to answer the Part D question? Okay. I may have lost Rosemary. Again, I think the reason we saw a net decline which was a little more than anticipated in the Part D is, again, because of the Medicare Advantage plans and they are still being very aggressive. I expect that to turn around here in the next one to two years, because those reimbursement rates are being cut on the Medicare Advantage. But going forward, I look for the Part D to be a pretty stable marketplace. We think we're going to have $200 million of revenue with roughly an 11% underwriting margin going forward. I don't think it's going to be a big growth market, nor do I expect it to be a drag on our earnings going forward.

Tom, what was the second part of your question?

Tom Gallagher: The second was just on the Direct Response acquisition that you had done. Should we view that as defensive?

Mark McAndrew: Well, some of both. There's no doubt if we had not made the acquisition, the results there were going to be unacceptable to us. So in that regards, the results this year will be far better than what they would have been had we not made the acquisition. On the other hand, I am extremely optimistic about the growth potential there. We do believe – we are already seeing some things and making some changes in the product and the packaging which we expect to see significant growth in our response rates and our average premiums. So I think the outlook for Direct Response for 2007 is very good. Right now, we're only predicting about a 2% growth in sales there for 2007, but I think by next quarter we'll have a much better handle on what we can expect for 2007, and I really expect that projection to go up on our next conference call.

Tom Gallagher: Got it. And then just one follow-up. If it's really being driven by aggressive med-advantage related projects, I would assume that means Med Supp is still going to be under pressure here for a while? And if, in fact, reimbursement rates are going down, do you think we might actually see a recovery in the Med Supp business?

Mark McAndrew: Well, yes. Short-term we don't expect our Medicare supplement sales to turnaround. Again, looking back in 2001, I think we had $200 million in Medicare settlement sales. It was down to $32 million this year. It can't go down much further. But when you look at the Medicare Advantage for 2007, they only increase the reimbursement by 1%. Whereas the estimates of medical inflation is an 8% increase. That puts a real squeeze on the margins for the Medicare Advantage plan. If that continues when they announce what they are going to do for 2008; if they do the same thing, I think we would see disenrollments at this year end. With the Democrats controlling Congress now, I think it's very possible that they will hold down those reimbursements for 2008, at which time, yes, the Medicare supplement marketplace would come back.

Tom Gallagher: Okay. Thanks.

Bob Glasspiegel, Langen McAlenney: Good morning. Gary, just a quick question on interest. Will Q1 go down a little bit from Q4? When did the retirement happen?

Gary Coleman: Oh, as far as the interest expense?

Bob Glasspiegel: Right.

Gary Coleman: That happened – let's see – $150 million of it happened in November and the other $180 million was retired in mid-December. So yes, you'll see the interest go down, interest expense will go down in the fourth quarter – third quarter, excuse me.

Bob Glasspiegel: And we'll lose a little bit of investment income offset by cash flow going the other way?

Gary Coleman: A little bit, yes.

Bob Glasspiegel: Okay. Mark, is there any rebates assumed in your Medicare guidance for '07 or is there potential you're conservative on that?

Mark McAndrew: No, we're assuming the same level of rebates that we recognized in 2006.

Bob Glasspiegel: So you upped it to the increase?

Mark McAndrew: Yes.

Bob Glasspiegel: …run rate. Okay, remind me, Mark, when you made the management changes at Liberty National.

Mark McAndrew: Well, Andy King, who we put in as President out there, was at the beginning of 2006.

Bob Glasspiegel: Okay, and he came from outside, I'm sure, the culture of Liberty National, and sort of put in new approaches?

Mark McAndrew: He was the Chief Marketing Officer at the branch office at United American prior to that.

Bob Glasspiegel: Any thoughts to how quickly he's learning the new business and how that's going? Sometimes you can get sort of different cultural backgrounds…

Mark McAndrew: Well, Andy, previously in his career, had spent several years at Liberty National as a Regional Vice President. So he had experience previously at Liberty National before we brought him to United American to be Chief Marketing Officer. He had spent several years out there. But it really comes down to the changes that we made in May were major compensation changes…

Bob Glasspiegel: Right.

Mark McAndrew: …and it's going to take recruiting a whole new agency – well I shouldn't say a whole new agency force – but substantially new agency force, and then promoting those people into management because it is a complete change in the culture out there.

Bob Glasspiegel: But you totally buy into what's getting done, even if it takes a couple of years of stepping back, it's the right move long-term?

Mark McAndrew: Yes, I absolutely believe that the only way for Liberty National to grow long-term was to make these changes. Again, for 2007, the premiums and sales may be down somewhat, and they will be down somewhat, but underwriting margins will – our projection is that they will increase because of the cost savings that we have seen.

Bob Glasspiegel: And one last question, just going back to Med D. It seems like we're slip-sliding a little bit pretty quickly. Is there any sort of risk that we could have been way off the mark on the pricing, or are you comfortable this is just a modest slip and we got our hands completely around it?

Mark McAndrew: Well…

Rosemary Montgomery: Mark, I think I can handle the question. I'm able to connect to this call now. I think that really what happened with that is just the fact that we had to price for 2007 so very early in the year when we really only had about three months worth of claims, really, to look at. I think that as we have gone through the rest of the year, I think we have got a whole lot more data and I don't really expect to have that problem going forward in terms of pricing for 2008.

Mark McAndrew: And also, even for 2007, with the risk sharing component of the Part D, the 8% bottom end of that range is really about as bad as it can get. Because, again, if you miss your loss ratio by more than 2 percentage points…

Rosemary Montgomery: That's right.

Mark McAndrew: **…**Medicare starts reimbursing you for additional claims.

Rosemary Montgomery: Yes.

Mark McAndrew: So our risk on a down side there is very small?

Rosemary Montgomery: That's exactly correct; that even if the loss ratio continues to go beyond what we would project, the risk sharing really would handle most of that.

Bob Glasspiegel: Okay. That's reassuring to remind me. Thank you very much.

Jeff Shuman, KBW: Good afternoon. A few more questions on Part D. First of all, I apologize, I didn't quite catch the enrollment number. So what is the '07 enrollment number and then what was the final '06 enrollment number?

Mark McAndrew: We started out the open enrollment period November 15th. We had 190,000 enrollees. We enrolled roughly 17,000 new people, but we saw over 25,000 disenrollees. So we had a net loss of, I believe, 7,600. We're now at just over 182,000 versus 190,000 that we had at the beginning of the open enrollment period.

Jeff Shuman: It sounds like you feel like you underpriced for '07 because the margin will be lower. On the other hand, you know, it doesn't look like you underpriced the market, because you did actually see a decline in enrollment. So if you had priced at a higher price point presumably you would have lost more shares so would you really have been at a better place in hindsight?

Mark McAndrew: Well, what we did, unlike most of our competitors – most of the competitors raised their deductibles or copayments which was allowed for 2007 – we did not. We kept our copayments the same as they were in 2006 even though the threshold for the doughnut hole went up for 2007. We could have brought our rate down somewhat had we raised our copayments. For 2008, we anticipate that we will see some increases in our copayments.

Jeff Shuman: So there's some sort of tactical issues there?

Mark McAndrew: Yes.

Jeff Shuman: Okay. And then, next, in terms of the Part D, what kind of ROE would be associated with an 8% margin and what kind of ROE would be associated more with an 11% margin?

Mark McAndrew: Well, really, the Part D is more of a cash basis. That's cash in and cash out. There's not big investment there.

Rosemary or Gary, have we calculated an ROE on the Part D? ….such little equity…

Rosemary Montgomery: No, we really have not. We've looked at that just as a percentage of premium margin. We have not calculated an ROE.

Jeff Shuman: Well, okay. So if the ROE then is presumably pretty high on a relatively low capital investment, did we really see, you know, a consolidated ROE list, I guess, in 2006 or not?

Mark McAndrew: I'm not sure I understood.

Jeff Shuman: Well, I guess the point is, if you took your existing core life and health businesses, and added the margin of business with some additional earnings, very little capital requirement, one would think, I guess, you got some nice ROE lift out of that.

Mark McAndrew: Really, if I look at a year ago, we spent roughly 10% of our premium revenue for the year on acquisition. And that is really the investment that we have is about 10% of the revenue we achieved for the year. Our underwriting margin ended up being 12 points, with roughly 2 points administration, so we basically earned back our investment within a year. I mean that, even though I haven't calculated it, I know that's a very high ROE. But, again, it's such a small piece of our business. Going forward we expect to see basically about $.10 to maybe $.12 a share coming from Part D. That's 2% of our earnings. This is not a big – it happened to be a shot in the arm in 2006, but it really is a very small piece of our total.

Jeff Shuman: Okay. That's helpful. And then just lastly one question on Liberty National. You are really moving towards a model where you want agents that are probably more sort of self-motivated, attracted more to variable compensation scheme, what are you finding in terms of sourcing that type of candidate through your normal Internet recruiting process?. Realistically, are pools of those sorts sort of more highly motivated people available in those…

Mark McAndrew: Well, again, that's exactly what we have at United American and American Income. We have no guarantees. They are straight commission salespeople at both of these companies, and we have obviously had good success recruiting those people via the Internet. So the only problem at Liberty National is our pool is much smaller because right now they are still so highly concentrated in the Southeast, so we don't have as big a recruiting pool as we have at American Income or United American where we're basically operating nationally. But we have had very good success at recruiting those type of people via the Internet.

Jeff Shuman: Okay. That's helpful. Thank you.

Ed Spehar, Merrill Lynch: Thank you. I just have one question. Gary, could you give us some sense with where new money yields are? And with the bonds that you see maturing, what kind of portfolio yield decline we should be looking for in '07? And is that a reasonable kind of assumption to make going forward, sort of every year based on the current gap between new money and portfolio yield?

Gary Coleman: Ed – excuse me – we're currently investing a little over 6.5%, and in the fourth quarter the items that were coming out of the portfolio came off at around 7.35%. In our projection, what we're looking for in 2007 is that the portfolio yield, which is at 7% now, will decline – could decline as much as 15 basis points. If we continue investing at 6.5%, I think that you'll continue to see a decline, but it may not be as much as 15 basis points after 2007.

Ed Spehar: Thanks.

Mark Finkelstein, Cochran Caronia: Hi. Can you elaborate on the – I think it was the health MGAs you signed up, I assume to distribute the limited benefit product? I guess, how significant are they? And it sounds like you think there could be upside there. I'm just curious how different, perhaps, the kind of the sales target that they have relative to what you are kind of modeling.

Mark McAndrew: Well, right now, again, we haven't taken any of that into account in our projections because it hasn't happened yet. We're having some success finding some captive sales forces that have a void in their product portfolio that our products happen to fill. They have the potential to produce a significant volume of business. But at this point, it's really very difficult to say. By the next conference call, we'll have a good idea of what to expect for the balance of the year, although, again, we're still talking to some additional ones that could come on later in the year.

Mark Finkelstein: Okay, and then just real quickly, could you just talk about persistency trends in that product? I think historically you looked at, I want to say 70% persistency. How is that trending to your expectations?

Mark McAndrew: Do you want to comment on that Rosemary? I may have lost her.

Rosemary Montgomery: You haven't lost me, but I'm having to share a phone here, so I'm having a little bit difficulty listening. I'm sorry, the question again is about what?

Mark McAndrew: The persistency on the underage health product.

Rosemary Montgomery: On the underage health, that has really held in fairly well. We would like to see it improve, actually, but in terms of the persistency that we're seeing on our underage health products, there really haven't been any changes.

Mark Finkelstein: Okay. Thank you.

Mark McAndrew: Well, I want to thank everybody for joining us, and we'll talk to you again at the end of the next quarter. Thank you.