In order to increase investment income, Torchmark has recently been purchasing lower-quality, though higher-yielding, long-term bonds. But, because short-term rates have climbed more than two percentage points over the past year, and long-term yields have largely remained unchanged, these longer-term securities have lost much of their appeal. In response, we expect the company to begin purchasing higher-quality and shorter-duration bonds. While this will somewhat decrease the quality of its investment portfolio, it should help increase the company's income. However, risk-averse investors should find the stock's strong Income Premium and Price Stability ratings appealing.

Although Torchmark Corp.'s sales of new policies in 2005's first quarter versus last year's, a rising agent count should lead to a rebound later this year. Poor agent recruiting in 2004 led to all of the company's life operations, except Direct Response, posting sales declines in the first quarter. Its health insurance business also suffered, as Medicare supplement sales dropped more than 20%. But Torchmark's new recruiting initiatives, especially its Internet recruiting, seem to be rebounding later this year. ny expects agent growth to total 20% for this timeframe (see below), Torchmark's share earnings are likely to rise by close to 10% in each of these two years.

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Changes in the company's investment strategy are likely. In order to increase investment income, Torchmark has recently been purchasing lower-quality, though higher-yielding, long-term bonds. But, because short-term rates have climbed more than two percentage points over the past year, and long-term yields have largely remained unchanged, these longer-term securities have lost much of their appeal. In response, we expect the company to begin purchasing higher-quality and shorter-duration bonds. While this will somewhat decrease the quality of its investment portfolio, it should help increase the company's income. However, risk-averse investors should find the stock's strong Income Premium and Price Stability ratings appealing.