

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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### FILER

#### **TORCHMARK INSURED TAX FREE FUND INC**

CIK: **892250** | State of Incorporation: **MD** | Fiscal Year End: **1231**  
Type: **N-30D** | Act: **40** | File No.: **811-07045** | Film No.: **94513850**

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Torchmark  
Insured

Tax-Free  
Fund, Inc.

ANNUAL  
REPORT

-----  
For the period ended December 31, 1993

FUND MANAGER'S LETTER

-----  
DECEMBER 31, 1993

Dear Shareholder:

This report relates to the operation of the Torchmark Insured Tax-Free Fund from the date of its inception on February 26, 1993, to the end of its fiscal year on December 31, 1993. The following discussion, graphs and tables provide you with information regarding the Fund's performance during that period.

During the past fiscal year, the United States' economy experienced slow growth, low inflation and declines in interest rates, although some upward fluctuations in interest rates occurred in the fourth quarter of the year. The past year saw an increase in new issuances of municipal securities as many municipalities took advantage of opportunities to refinance their debt at lower interest rates.

The Fund was managed with the objective of maximizing yield while investing mostly in medium-term insured municipal bonds. We diversified the Fund's investments as much as possible, but we were restricted somewhat by size constraints associated with the Fund's start-up phase. Thus far, the Fund has been able to invest in bonds issued by fifteen different states and representing eight different categories of bonds, including water and sewer revenues, school district general obligations and hospital revenues.

The strategies and techniques we applied resulted in the direction of the Fund's performance during the period from its inception to the end of the fiscal year remaining fairly consistent with that of the indexes charted on the following page. Those indexes reflect the performance of securities that generally represent the municipal bond market (the Lehman Brothers Municipal Bond Index) and the universe of funds with similar investment objectives (the Lipper Insured Municipal Debt Fund Universe Average). The Fund's strategies resulted in performance that bettered the depicted indexes.

In 1994, we anticipate that interest rates and inflation will remain generally stable. Consequently, we expect to continue the same strategies we have recently employed. In essence, we plan to diversify the Fund's holdings by location, type of municipal project and credit. We also expect to increase the Fund's holdings in bonds with longer maturities.

We appreciate your continued confidence.

Respectfully,  
 John M. Holliday  
 Manager, Torchmark Insured Tax-Free Fund, Inc.

COMPARISON OF CHANGE IN VALUE OF \$10,000 INVESTMENT IN  
 TORCHMARK INSURED TAX-FREE FUND, INC.,

The line graph which appears here in the paper version was filed on Form SE on  
 March 1, 1994.

THE INVESTMENTS OF  
 TORCHMARK INSURED TAX-FREE FUND, INC.  
 DECEMBER 31, 1993

	Principal Amount in Thousands	Value
MUNICIPAL BONDS		
ALABAMA - 4.35%		
The DCH Health Care Authority, Health Care Facilities Revenue Bonds, Series 1993-A, 5.5%, 6-1-2013 .....	\$100	\$ 101,625
ARIZONA - 3.16%		
Paradise Valley Unified School District No. 69 of Maricopa County, Arizona, Refunding Bonds, Second Series 1993, 0.0%, 7-1-2007 .....	150	73,875
CONNECTICUT - 4.44%		
Connecticut Housing Finance Authority, Housing Mortgage Finance Program Bonds, 1993 Series B, 6.0%, 5-15-2009 .....	100	103,750
FLORIDA - 4.81%		
City of Jacksonville, Florida, Excise Taxes Revenue Bonds, Series 1993, 0.0%, 10-1-2011 .....	300	112,500
ILLINOIS - 17.35%		
Illinois Health Facilities Authority: Revenue Refunding Bonds, Series 1993A (Elmhurst Memorial Hospital), 5.5%, 1-1-2013 .....	100	100,375
Hospital Revenue Refunding Bonds,		

Series 1993 (Delnor-Community Hospital), 5.5%, 5-15-2013 .....	100	99,250
Northwest Suburban Municipal Joint Action Water Agency (Cook, DuPage and Kane Counties, Illinois), Water Supply System Revenue Bonds, Series 1993A, 5.9%, 5-1-2013 .....	100	105,250
City of Chicago, Wastewater Transmission Revenue Bonds, Refunding Series 1993, 5.375%, 1-1-2013 .....	100	100,750
Total .....		405,625

IOWA - 4.43%

City of Ames, Iowa, Hospital Revenue Bonds (Mary Greeley Medical Center Project), Series 1993, 5.7%, 8-15-2012 .....	100	103,625
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See Notes to Schedule of Investments on page 6.

THE INVESTMENTS OF  
TORCHMARK INSURED TAX-FREE FUND, INC.  
DECEMBER 31, 1993

Principal  
Amount in  
Thousands                      Value

MUNICIPAL BONDS (Continued)

MICHIGAN - 7.44%

Huron School District, Counties of Wayne and Monroe, State of Michigan, 1992 Refunding Bonds (General Obligation - Unlimited Tax), 0.0%, 5-1-2013 .....	\$340	\$ 123,250
Godfrey-Lee Public Schools, County of Kent, State of Michigan, 1993 Refunding Bonds (General Obligation - Unlimited Tax), 5.5%, 5-1-2013 .....	50	50,750
Total .....		174,000

NEBRASKA - 4.57%

City of Lincoln, Nebraska, Lincoln General Hospital Revenue and Refunding Bonds, Series 1993A, 6.2%, 12-1-2014 .....	100	106,750
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NEVADA - 9.34%

Clark County School District, Las Vegas,  
Nevada, General Obligation (Limited Tax)

Refunding Bonds, Series 1991B, 0.0%, 3-1-2009 .....	250	111,250
Clark County Nevada, Las Vegas - McCarran International Airport, Passenger Facility Charge Revenue Bonds, 1992 Series B, 6.25%, 7-1-2011 .....	100	107,125
Total .....		218,375

OHIO - 4.37%

Ohio Water Development Authority, State of Ohio, Water Development Revenue Refunding Bonds, Pure Water Refunding and Improvement Series, 5.5%, 12-1-2011 .....	100	102,250
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PENNSYLVANIA - 8.62%

County of Allegheny, Pennsylvania, Airport Revenue Bonds, Series 1993C (Pittsburgh International Airport), 5.625%, 1-1-2013 .....	100	101,625
Berks County Municipal Authority, Berks County, Pennsylvania, College Revenue Bonds, Series of 1993 (Albright College), 5.1%, 10-1-2008 .....	100	99,875
Total .....		201,500

See Notes to Schedule of Investments on page 6.

THE INVESTMENTS OF  
TORCHMARK INSURED TAX-FREE FUND, INC.  
DECEMBER 31, 1993

Principal  
Amount in  
Thousands                      Value

MUNICIPAL BONDS (Continued)

SOUTH DAKOTA - 4.40%

Sioux Falls School District 49-5, Sioux Falls, South Dakota, Refunding Capital Outlay Certificates of 1992, Series 1992B (Limited Tax Obligation), 5.75%, 7-1-2012 .....	\$100	\$ 102,875
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TEXAS - 9.08%

Tarrant County Water Control and Improvement District Number One (Tarrant County, Texas), Water Revenue Refunding and Improvement Bonds,		
---	--	--

Series 1992, 5.75%, 3-1-2013 .....	100	108,500
City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1992A, 5.75%, 11-15-2014 .....		
	100	103,875
Total .....		212,375
UTAH - 4.45%		
Salt Lake City, Salt Lake County, Utah, Airport Revenue Bonds, Series 1993A (AMT), 6.0%, 12-1-2012 .....		
	100	104,000
WASHINGTON - 4.53%		
Public Utility District No. 1 of Snohomish County, Washington, Generation System Revenue Bonds, Series 1993, 6.0%, 1-1-2013 .....		
	100	106,000
TOTAL MUNICIPAL BONDS - 95.34%		\$2,229,125
(Cost: \$2,138,007)		
TOTAL SHORT-TERM SECURITIES - 2.78%		\$ 65,000
(Cost: \$65,000)		
TOTAL INVESTMENT SECURITIES - 98.12%		\$2,294,125
(Cost: \$2,203,007)		
CASH AND OTHER ASSETS, NET OF LIABILITIES - 1.88%		43,842
NET ASSETS - 100.00%		\$2,337,967

#### Notes to Schedule of Investments

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 4 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

#### TORCHMARK INSURED TAX-FREE FUND, INC. STATEMENT OF ASSETS AND LIABILITIES DECEMBER 31, 1993

#### Assets

Investment securities - at value (Notes 1 and 4) .....	\$2,294,125
Cash .....	16,211
Receivables:	
Interest .....	29,625
Fund shares sold .....	25
Unamortized organization	

expenses (Note 2) .....	31,850
Prepaid insurance premium .....	260
	-----
Total assets .....	2,372,096
	-----
Liabilities	
Organization expenses payable .....	31,850
Accrued accounting services fee .....	833
Accrued transfer agency and dividend disbursing ..	122
Distribution fee payable .....	16
Other .....	1,308
	-----
Total liabilities .....	34,129
	-----
Total net assets.....	\$2,337,967
	=====
Net Assets	
\$0.01 par value capital stock, authorized -- 200,000,000; shares outstanding -- 224,518	
Capital stock .....	\$ 2,245
Additional paid-in capital .....	2,244,821
Accumulated undistributed gain (loss):	
Accumulated undistributed net realized loss on investment transactions .....	(217)
Net unrealized appreciation in value of investments at end of period .....	91,118
	-----
Net assets applicable to outstanding units of capital .....	\$2,337,967
	=====
Net asset value per share (net assets divided by shares outstanding) .....	\$10.41
	=====

See notes to financial statements.

TORCHMARK INSURED TAX-FREE FUND, INC.

STATEMENT OF OPERATIONS

For the Period from February 26, 1993 through December 31, 1993

Investment Income	
Interest .....	\$100,480
	-----
Expenses (Notes 2 and 3):	
Investment management fee .....	9,201
Accounting services fee .....	8,333
Amortization of organization expenses .....	6,370
Report expenses.....	6,358
Transfer agency and dividend disbursing .....	5,274
Legal fees .....	5,254
Distribution fee .....	4,603



Audit fees .....	4,000
Custodian fees .....	401
Other .....	724
	-----
Total .....	50,518
Less expenses in excess of limitation .....	(32,170)
	-----
Total expenses .....	18,348
	-----
Net investment income .....	82,132
	-----
Realized and Unrealized Gain (Loss) on Investments	
Realized net loss on investments .....	(217)
Unrealized appreciation in value of investments during the period .....	91,118
	-----
Net gain on investments .....	90,901
	-----
Net increase in net assets resulting from operations .....	\$173,033
	=====

See notes to financial statements.

TORCHMARK INSURED TAX-FREE FUND, INC.

STATEMENT OF CHANGES IN NET ASSETS

For the period from February 26, 1993 through December 31, 1993

Increase in Net Assets

Operations:

Net investment income .....	\$ 82,132
Realized net loss on investments ....	(217)
Unrealized appreciation .....	91,118
	-----
Net increase in net assets resulting from operations .....	173,033
	-----

Dividends to shareholders from net investment income* .....	(82,132)
	-----

Capital share transactions:

Proceeds from sale of shares (206,433 shares) .....	2,065,047
Proceeds from reinvestment of dividends (8,085 shares) .....	82,019
	-----

Net increase in net assets resulting from capital share transactions .....	2,147,066
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Total increase .....	2,237,967
Net Assets	
Beginning of period .....	100,000
End of period .....	\$2,337,967

Undistributed net investment income .....	\$---
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\*See "Financial Highlights" on page 10.

See notes to financial statements.

TORCHMARK INSURED TAX-FREE FUND, INC.  
FINANCIAL HIGHLIGHTS

For a Share of Capital Stock Outstanding Throughout The Period from February 26, 1993 through December 31, 1993

Net asset value, beginning of period .....	\$10.00
Income from investment operations:	
Net investment income .....	.38
Net realized and unrealized gain on investments ....	.41
Total from investment operations .....	.79
Less dividends from net investment income .....	(0.38)
Net asset value, end of period .....	\$10.41
Total return .....	9.62%*
Net assets, end of period (000 omitted) .....	\$2,338
Ratio of expenses to average net assets .....	1.00%*
Ratio of net investment income to average net assets ..	4.46%*
Portfolio turnover rate .....	79.14%*

\*Annualized

See notes to financial statements.

TORCHMARK INSURED TAX-FREE FUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1993

## NOTE 1 -- Significant Accounting Policies

Torchmark Insured Tax-Free Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles.

- A. Security valuation -- Municipal bonds and the taxable obligations in the Fund's investment portfolio are not listed or traded on any securities exchange. Therefore, municipal bonds are valued using prices quoted by Muller and Company, a dealer in bonds which offers a pricing service. Short-term debt securities, whether taxable or nontaxable, are valued at amortized cost, which approximates market.
- B. Security transactions and related investment income -- Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Securities gains and losses are calculated on the identified cost basis. Original issue discount (as defined by the Internal Revenue Code) and premiums on the purchase of bonds are amortized for both financial and tax reporting purposes over the remaining lives of the bonds. Interest income is recorded on the accrual basis. See Note 4 -- Investment Security Transactions.
- C. Federal income taxes -- The Fund intends to distribute all of its net investment income and capital gains to its shareholders and otherwise qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to pay distributions as required to avoid imposition of excise tax. Accordingly, provision has not been made for Federal income taxes. In addition, the Fund intends to meet requirements of the Internal Revenue Code which will permit it to pay dividends from net investment income, substantially all of which will be exempt from Federal income tax. See Note 5 -- Federal Income Tax Matters.
- D. Dividends and distributions -- All of the Fund's net investment income is declared and recorded by the Fund as dividends payable on each day to shareholders of record at the time of the previous determination of net asset value.

## NOTE 2 -- Organization

The Fund was incorporated in Maryland on September 9, 1992 and was inactive (except for matters relating to its organization and registration as an investment company under the Investment Company Act of 1940 and registration of shares under the Securities Act of 1933) until February 26, 1993 (the date of the initial public offering).

On February 17, 1993, Waddell & Reed, Inc. ("W&R") purchased for investment 10,000 shares of the Fund at their net asset value of \$10.00 per share. On February 26, 1993, United Investors Life Insurance Company ("UILIC"), an

affiliate of W&R, purchased 200,000 shares of the Fund. As of December 31, 1993, UILIC owned 207,612 shares.

The Fund's organizational expenses in the amount of \$38,220 were advanced to the Fund by W&R and are an obligation to be paid by the Fund. These expenses are being amortized and are payable evenly over 60 months following the date of the initial public offering. In the event that all or any part of W&R's initial investment in the Fund's shares is redeemed before the full reimbursement of these organizational expenses, the Fund's obligation to make further reimbursement will cease.

NOTE 3 -- Investment Management and Payments to Affiliated Persons

Waddell & Reed Investment Management Company ("WRIMCO"), a wholly-owned subsidiary of W&R, acts as investment manager to the Fund and, as such, receives a fee for such services. The fee is accrued and paid daily at the annual rate of .50% of the Fund's net asset value.

The Torchmark Division of Waddell & Reed Services Company ("Torchmark Services"), another wholly-owned subsidiary of W&R, acts as transfer agent for the Fund and processes the payments of dividends to Fund shareholders. The Fund pays Torchmark Services a monthly fee of \$1.0208 for each shareholder account that was in existence at any time during the prior month, plus \$0.30 for each account on which a dividend or distribution of cash or shares had a record date in that month. The Fund also pays for certain out-of-pocket costs.

Torchmark Services also acts as agent ("Accounting Services Agent") in providing bookkeeping and accounting services and assistance to the Fund and pricing daily the value of shares of the Fund. For these services the Fund pays the Accounting Services Agent a monthly fee of 1/12th of the annual fee shown in the following table:

Average Net Asset Level (dollars in millions)	Accounting Services Fee Annual Fee Rate for Each Level
From \$ 0 to \$ 25	\$ 10,000
From \$ 25 to \$ 100	\$ 25,000
From \$ 100 to \$ 500	\$ 50,000
From \$ 500 to \$1,000	\$ 75,000
Above \$1,000	\$100,000

Under a Service Plan adopted by the Fund pursuant to Rule 12b-1 under the Investment Company Act of 1940, the Fund may pay a fee to Torchmark Distributors, Inc. ("Torchmark Distributors"), another wholly-owned subsidiary of W&R, the principal underwriter for the Fund, and to Torchmark Services in an aggregate amount not to exceed .25% per annum of the Fund's net asset value accrued and paid daily to reimburse them for amounts expended in preparing, printing and distributing informational material to investors and Fund shareholders, providing yield and performance information and in answering telephone or written inquiries of investors concerning the Fund or shareholders concerning their accounts.

Torchmark Corporation guarantees that for at least the first three years commencing February 26, 1993, the total expenses of the Fund, excluding brokerage commissions and extraordinary expenses, will not exceed 1% annualized of the Fund's daily net asset value. To ensure that the Fund's daily expenses do not exceed this limit, first WRIMCO, Torchmark Distributors and Torchmark Services will waive or refund fees payable to them commencing with the service fee; then, if such reductions or refunds are inadequate to reduce the daily expenses below the 1% annualized limit, Torchmark Corporation will immediately pay to the Fund the amount by which the Fund's expenses computed daily exceed the 1% limit.

W&R is an indirect subsidiary of Torchmark Corporation, a publicly held company whose address is 2001 Third Avenue South, Birmingham, Alabama 35233. Torchmark Corporation is an insurance and financial services holding company whose shares are listed on the New York Stock Exchange. W&R is also an indirect subsidiary of United Investors Management Company, a holding company, and a direct subsidiary of Waddell & Reed Financial Services, Inc., a holding company.

#### NOTE 4 -- Investment Security Transactions

Purchases of investment securities, other than U.S. Government and short-term securities, aggregated \$3,531,255 while proceeds from maturities and sales aggregated \$1,410,518. Purchases of short-term securities aggregated \$665,000 while proceeds from maturities and sales aggregated \$601,426. There was no gain or loss on the sale of short-term securities. No U.S. Government securities were bought or sold during the period ended December 31, 1993.

For Federal income tax purposes, cost of investments owned at December 31, 1993 was \$2,203,625, resulting in net unrealized appreciation of \$90,500, of which \$90,755 related to appreciated securities and \$255 related to depreciated securities.

#### NOTE 5 -- Federal Income Tax Matters

For Federal income tax purposes, the Fund realized capital gain net income of \$400 during the fiscal period ended December 31, 1993, which is available for future distribution.

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of  
Torchmark Insured Tax-Free Fund, Inc.:

We have audited the accompanying statement of assets and liabilities of Torchmark Insured Tax-Free Fund, Inc. (the "Fund"), including the schedule of investments, as of December 31, 1993, and the related statements of operations and changes in net assets and financial highlights (hereafter referred to as "financial statements") for the period February 26, 1993 through December 31,

1993. These financial statements are the responsibility of Fund management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 1993, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Torchmark Insured Tax-Free Fund, Inc. as of December 31, 1993, the results of its operations and changes in its net assets and financial highlights for the period February 26, 1993 through December 31, 1993 in conformity with generally accepted accounting principles.

KPMG Peat Marwick  
 Kansas City, Missouri  
 February 18, 1994

INCOME TAX INFORMATION

Dividends are declared and recorded by the Fund on each day the New York Stock Exchange is open for business. Dividends are paid monthly on the 27th of the month or on the preceding business day if the 27th is a weekend or holiday.

Exempt Interest Dividends - The exempt interest portion of dividends paid represents the distribution of state and municipal bond interest and is exempt from Federal income taxation.

The table below shows the taxability of dividends paid during the fiscal year ended December 31, 1993:

PERCENTAGE AMOUNTS REPORTABLE AS:

Record Date	For Individuals			For Corporations		
	Ordinary Income	Exempt Interest	Long-Term Capital Gain	Non-Qualifying	Exempt Interest	Long-Term Capital Gain
Inception through 12-31-93	1.5877%	98.4123%	0.0000%	1.5877%	98.4123%	0.0000%

NON-QUALIFYING DIVIDENDS - The non-qualifying portion of distributions represents the taxable portion of dividends paid and does not qualify for the dividends received deduction for corporations.

The actual taxable amounts of dividends will be reported to you on Form 1099-DIV after the close of the applicable calendar year.

Income from the Fund may be subject to the alternative minimum tax. Shareholders are advised to consult with their tax advisors concerning the tax treatment of dividends and distributions from the Fund.

#### DIRECTORS

Ronald K. Richey, Birmingham, Alabama, Chairman of the Board  
Henry L. Bellmon, Red Rock, Oklahoma  
Dodds I. Buchanan, Boulder, Colorado  
Jay B. Dillingham, Kansas City, Missouri  
John F. Hayes, Hutchinson, Kansas  
Glendon E. Johnson, Miami, Florida  
William T. Morgan, Los Angeles, California  
Doyle Patterson, Kansas City, Missouri  
Keith A. Tucker, Overland Park, Kansas  
Frederick Vogel, III, Milwaukee, Wisconsin  
Paul S. Wise, Carefree, Arizona  
Leslie S. Wright, Birmingham, Alabama

#### OFFICERS

Keith A. Tucker, President  
Robert L. Hechler, Vice President  
Henry J. Herrmann, Vice President  
John M. Holliday, Vice President  
Theodore W. Howard, Vice President and Treasurer  
Rodney O. McWhinney, Vice President  
Sharon K. Pappas, Vice President and Secretary

This space available for your notes and calculations.

This report is submitted for the general information of the shareholders of Torchmark Insured Tax-Free Fund, Inc. It is not authorized for distribution to prospective investors in the Fund unless accompanied with or preceded by the Torchmark Insured Tax-Free Fund, Inc. current prospectus.

TORCHMARK INSURED TAX-FREE FUND, INC.  
December 31, 1993



FOR MORE INFORMATION:

TORCHMARK SERVICES

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