

Kansas City
Life Insurance Company
2007 Second Quarter Report



Includes our subsidiaries:

Sunset Life Insurance
Company of America

Old American
Insurance Company

Sunset Financial Services, Inc.

Post Office Box 219139
Kansas City, Missouri 64121-9139
Listing: NASDAQ
Stock Symbol: KCLI
www.kclife.com

1115-2Q07

Message *from the President, CEO
and Chairman of the Board*

Kansas City Life Insurance Company reported a 17% increase in net income for the quarter ended June 30, 2007 relative to the prior year. The Company earned \$11.8 million or \$1.00 of net income per share in the second quarter compared with \$10.1 million or \$0.85 of net income per share in the same period of 2006. Net income for the six months increased 16% to \$20.1 million or \$1.70 per share, compared with \$17.3 million or \$1.45 per share one year earlier.

Improvements in the Company's second quarter included an increase in premiums of 2% and a decline in benefits and expenses of 6%. The improvement in net income for the six-month period was primarily the result of an increase in realized investment gains of \$3.5 million and a \$6.1 million reduction in benefits and expenses.

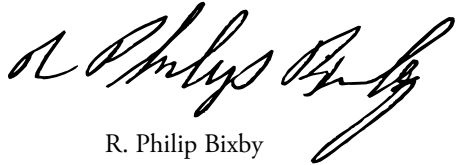
The increase in premiums during the second quarter was primarily due to increased sales of immediate annuities. Sales of life insurance products were mixed, as new universal life deposits increased 11% and 13% for the quarter and six months, respectively, and new individual life insurance premiums declined for both periods.

The improved benefit and expense results were primarily due to mortality experience, interest credited to policyholder account balances and

changes to amortization of deferred acquisition costs and value of business acquired. Death benefits, after consideration of reinsurance, declined for both the quarter and six months. Interest credited was reduced in both periods, as interest sensitive account balances declined. Amortization expense declined \$4.5 million for the quarter and \$4.7 million for the six months, as adjustments were made to the schedules for deferred costs associated with sales of policies and the value of business acquired through acquisitions. The adjustments to amortization expense were primarily due to improved mortality and interest margin experience.

We continue to benefit from several initiatives focusing primary growth strategies on our individual life insurance business. The Company has experienced growth in sales from new general agents and third-party marketing agreements. New product development and continued recruiting of general agents in key markets provide promise for continued organic growth.

Additionally, the Kansas City Life Board of Directors approved a quarterly dividend of \$0.27 per share to be paid August 14, 2007, to shareholders of record as of August 9, 2007.


R. Philip Bixby

**Consolidated
Statements of Income** (Unaudited)

(Thousands, except share data)

	Quarter ended		Six Months ended	
	June 30		June 30	
	2007	2006	2007	2006
Revenues				
Insurance revenues:				
Premiums	\$ 45,242	\$ 44,374	\$ 87,890	\$ 87,994
Contract charges	26,477	28,520	55,180	57,853
Reinsurance ceded	(14,300)	(14,080)	(27,244)	(27,225)
Total insurance revenues	57,419	58,814	115,826	118,622
Investment revenues:				
Net investment income	48,671	48,823	95,755	97,736
Realized investment gains	38	1,905	5,162	1,640
Other revenues	3,757	2,977	6,174	5,505
Total revenues	109,885	112,519	222,917	223,503
Benefits and expenses				
Policyholder benefits	40,994	41,532	84,991	84,016
Interest credited to policyholder account balances	22,732	23,656	45,505	47,214
Amortization of deferred acquisition costs and value of business acquired	6,407	10,867	17,598	22,316
Operating expenses	22,416	22,250	45,126	45,794
Total benefits and expenses	92,549	98,305	193,220	199,340
Income before income tax expense	17,336	14,214	29,697	24,163
Income tax expense	5,524	4,105	9,579	6,865
Net income	\$ 11,812	\$ 10,109	\$ 20,118	\$ 17,298
Per common share:				
Net income, basic and diluted	\$ 1.00	\$ 0.85	\$ 1.70	\$ 1.45
Cash dividends	\$ 0.27	\$ 0.27	\$ 2.54	\$ 0.54

**Consolidated
Balance Sheets**

	June 30	December 31
	2007	2006
	(Unaudited)	
Assets		
Investments:		
Fixed maturity securities available for sale, at fair value	\$ 2,634,073	\$ 2,719,439
Equity securities available for sale, at fair value	51,076	52,351
Mortgage loans	462,414	472,019
Short-term investments	20,062	44,219
Other investments	190,828	205,743
Total investments	3,358,453	3,493,771
Cash	14,559	3,908
Deferred acquisition costs	222,249	220,595
Value of business acquired	77,986	82,769
Other assets	258,622	258,630
Separate account assets	422,921	400,749
Total assets	\$ 4,354,790	\$ 4,460,422
Liabilities		
Future policy benefits	\$ 850,386	\$ 854,447
Policyholder account balances	2,132,214	2,191,105
Notes payable	12,700	14,700
Income taxes	24,769	35,319
Other liabilities	258,889	279,798
Separate account liabilities	422,921	400,749
Total liabilities	3,701,879	3,776,118
Stockholders' equity		
Common stock	23,121	23,121
Additional paid in capital	28,060	25,852
Retained earnings	770,979	780,892
Accumulated other comprehensive loss	(46,261)	(25,118)
Less treasury stock	(122,988)	(120,443)
Total stockholders' equity	652,911	684,304
Total liabilities and equity	\$ 4,354,790	\$ 4,460,422

**Consolidated
Statements of Cash Flows** (Unaudited)

	Six Months ended	
	June 30	
	2007	2006
Operating activities		
Net cash provided	\$ 15,106	\$ 6,901
Investing activities		
Purchases of investments:		
Fixed maturity securities	(159,075)	(145,778)
Equity securities	(1,854)	(9,335)
Mortgage loans	(35,023)	(33,740)
Real estate	(846)	(43,374)
Other investment assets	-	391
Sales of investments:		
Fixed maturity securities	13,964	75,493
Equity securities	3,092	965
Other investment assets	39,796	15,013
Maturities and principal paydowns of other investments	188,382	172,305
Net additions to property and equipment	(581)	(402)
Proceeds from sale of non insurance affiliate	10,104	-
Net cash provided	57,959	31,538
Financing activities		
Proceeds from borrowings	23,927	12,680
Repayment of borrowings	(25,927)	(22,176)
Deposits on policyholder account balances	103,230	103,308
Withdrawals from policyholder account balances	(155,268)	(137,932)
Net transfers from separate accounts	8,811	11,833
Change in other deposits	13,224	(7,564)
Cash dividends to stockholders	(30,074)	(6,418)
Net acquisition of treasury stock	(337)	(2,145)
Net cash used	(62,414)	(48,414)
Increase (decrease) in cash	10,651	(9,975)
Cash at beginning of year	3,908	12,099
Cash at end of period	\$ 14,559	\$ 2,124

Notes

• Comprehensive loss was \$17.0 million and \$11.6 million for the second quarters and \$1.0 million and \$33.0 million for the six months ended June 30, 2007 and 2006, respectively. This varies from net income largely due to unrealized gains or losses on investments.

• Income per common share was based upon the weighted average number of shares outstanding of 11,858,378 and 11,877,907 for the second quarters and 11,856,947 and 11,893,746 for the six months ended June 30, 2007 and 2006, respectively.

• These interim financial statements are unaudited but, in management's opinion, include all adjustments necessary for a fair presentation of the results and are included in the Company's Form 10-Q as filed with the Securities and Exchange Commission. Please refer to the Company's Form 10-Q and the Company's Annual Report on Form 10-K at www.kclife.com.

• Certain amounts in prior years have been reclassified to conform with the current year presentation.