

KANSAS CITY LIFE INSURANCE COMPANY

**STANDING
STRONG**

2009
ANNUAL REPORT



KANSAS CITY LIFE

MESSAGE FROM THE PRESIDENT

Despite the economic effects of what has been called the “Great Recession,” Kansas City Life Insurance Company continues to maintain a strong position – one that is as solid today as it has been in the Company’s 114-year history.

The scope of the latest recession has touched virtually every company across the globe. But what separates Kansas City Life from its competitors is that it has never deviated from its plan to deliver sound financial protection to its customers and value to its shareholders.

This quiet consistency is a core element of the Company’s unwavering promise to provide Security Assured. The Company’s commitment to Security Assured has guided it for generations.

Today, that commitment has positioned Kansas City Life to grow organically while also exploring opportunities to expand.

I am pleased to report that the Company generated \$10.7 million in net

income or \$0.93 per share during 2009. This is a significant improvement over 2008. Much of the improvement can be attributed to two factors: decreased realized investment losses, which declined \$42.2 million, and a strong increase in insurance revenues of \$5.5 million. Insurance revenues improved due to sales of new individual life products at the Company’s final expense subsidiary, Old American Insurance Company, and increased sales of immediate annuity products.



“The Company has never deviated from its plan to deliver sound financial protection to its customers and value to its shareholders.”

R. Philip Bixby
President, Chief
Executive Officer and
Chairman of the Board

The improved financial markets also played a significant role in 2009. The Company's capital position has remained strong throughout the recessionary environment, primarily due to its diversified investment portfolio. As of December 31, 2009, 94% of the Company's investments were rated as investment grade. Stockholders' equity also improved \$101.3 million, primarily reflecting the change to a net unrealized gain position on security investments.

The Company's relative competitive position and financial strength improved during this economic downturn. Premiums from new sales during the fourth quarter were \$12.7 million, an increase of \$2.8 million or 28% versus the prior year. This sales growth resulted from increased sales of new life insurance in the Old American segment, which improved \$0.6 million or 32% compared to one year ago. In addition, sales of immediate annuities increased \$1.7 million or 47% and new group accident and health premiums increased \$0.4 million or 17%.

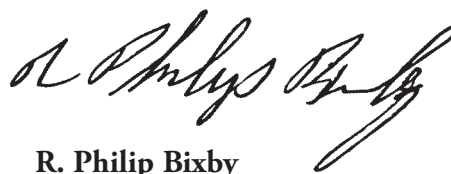
New premiums for 2009 increased \$10.0 million or 26% compared to 2008. This growth reflected strong immediate annuity sales, which grew \$9.5 million or 75%, and a \$1.5 million or 20% increase in life insurance sales from Old American.

The Company also took difficult but necessary actions to reduce the operating expense structure throughout 2009. These changes were made to

better position Kansas City Life for improved results as it entered a new year and decade.

As the Company progresses into the new decade, Kansas City Life remains committed to the philosophies that have guided it for more than 114 years – philosophies that include financial protection for policyholders and value for investors. Accordingly, the Company's strong capital and liquidity positions offer it the ability to withstand difficult economic pressures.

Today, the Company's dependability remains well documented. World Wars, the Great Depression and now this – the Great Recession – have been no match for the resolve of Kansas City Life. More challenges are sure to arise but one thing will remain constant – Kansas City Life will continue its promise to provide Security Assured for generations to come.



R. Philip Bixby
*President, Chief Executive Officer and
Chairman of the Board*

THE KANSAS CITY LIFE GROUP OF COMPANIES



KANSAS CITY LIFE

OLD AMERICAN



INSURANCE COMPANY

SFS

SUNSET FINANCIAL



Sunset Life

KANSAS CITY LIFE INSURANCE COMPANY

Since 1895, Kansas City Life Insurance Company (www.kclife.com) has been dedicated to the present and future financial security of its customers. With more than 2,000 general agents and agents serving 48 states and the District of Columbia, Kansas City Life serves individuals, families, small businesses and corporations with universal life, term life, whole life, variable life insurance,* variable annuities,* fixed deferred annuities and a diverse range of group products. The Company and its subsidiaries provide financial services, including insurance and investments.* Kansas City Life has been providing Security Assured for more than 114 years.

OLD AMERICAN INSURANCE COMPANY

Since 1939, the mission of Old American Insurance Company (www.oaic.com) has been to provide peace of mind to the senior market and, in turn, enhance the quality of life for policyholders and their beneficiaries. Agents assist individuals ages 50 – 85 through final arrangements planning, charitable giving life insurance, and Social Security and retirement income replacement insurance. In addition, Old American began targeting individuals ages 20 to 65 in 2009 with its Level Term 20 life insurance product. The subsidiary operates in 46 states and the District of Columbia.

SUNSET FINANCIAL SERVICES INC.*

Sunset Financial Services (www.sunsetfinancial.com) is a full-service brokerage firm and registered investment advisor. Sunset Financial Services' registered representatives are primarily affiliated with Kansas City Life. Investment options include variable products, mutual funds, stocks and bonds, money market funds, CDs and asset management products.

SUNSET LIFE INSURANCE COMPANY OF AMERICA

Sunset Life (www.sunsetlife.com) was originally founded in 1937 in Olympia, Wash. Kansas City Life purchased Sunset Life in 1974 and its operations were consolidated into the Company's Home Office in 1999. The Sunset Life sales force was integrated into the Kansas City Life sales force in 2006.

FINANCIAL RATINGS

A.M. Best: A (Excellent)

The rating represents A.M. Best's opinion of Kansas City Life's financial strength and its ability to meet ongoing obligations to policyholders as of June 2009. There are 15 ratings through A.M Best, ranging from A++ (superior) to F (in liquidation).

**Securities are distributed through Sunset Financial Services Inc., 3520 Broadway, Kansas City, MO 64111, 816-753-7000. Member FINRA and SIPC.*

CORPORATE HIGHLIGHTS

SALES AND MARKETING MESSAGE

As the unique and challenging decade came to a close, Kansas City Life Insurance Company demonstrated its true commitment to provide Security Assured, especially during a tumultuous 2009.

More than just a promise, Security Assured is etched in the foundation for which the Company was founded. How strong is that foundation? In 2009, Kansas City Life once again received an “A” (Excellent) rating

and stable outlook from A.M. Best, one of the leading firms in analyzing financial strength for insurance companies.

In fact, despite the economic volatility, Kansas City Life remained true to its core business philosophy. The Company’s continued emphasis on those core

values – competitive products, superior customer services, financial strength, specialized training and superior sales and marketing support – coupled with a dedicated resourcefulness allowed for a modest success by year-end. Leading this effort was Donald E. Krebs, MSM, CLU, ChFC, Senior Vice President, Sales and Marketing.

**KANSAS CITY
LIFE’S FIELD
FORCE INCREASED
ITS TARGET LIFE
PREMIUM 41.3%
DURING THE FOURTH
QUARTER ALONE.**

“We are committed to fostering the entrepreneurial spirit of our general agents with the same values and traditions that have guided us for more than a century.”

**Donald E. Krebs,
MSM, CLU, ChFC**

Senior Vice President, Sales and Marketing



Rather than shunning away from less than encouraging projections from an industry standpoint, Kansas City Life showcased its rich history and financial soundness, and encouraged members of its field to do the same.

And while many companies in the industry struggled, Kansas City Life's career distribution, consisting of committed general agents and agents, increased its target life premium 41.3% for the fourth quarter alone.



An annual priority is strengthening relationships with this distribution. In 2009, the Company continued to direct resources to provide one-on-one, on-site support for its field force. Even more, a new video-based training tool was introduced to assist the field with further specialized training.

Efforts were made to enhance the Company's product portfolio in order to capitalize on opportunities exposed in the industry – specifically with two of the Company's most popular products, the Cashback Life and Life Protector Universal Life. Many in the industry discontinued return of premium and fixed secondary guaranteed universal life products, while Kansas City Life on the other hand, stood behind them.

“Kansas City Life adheres to ethical business practices and remains true to our core beliefs. Through collaboration with other departments, we are able to interpret, clarify and communicate the ever-changing legal requirements necessary to operate compliant agencies.”

William A. Schalekamp,
JD, CLU, FLMI
Senior Vice President, General
Counsel and Secretary

Moreover, newly formed regional teams provided steady support and guidance for agencies to maximize their fullest potential. Further expanding the value offerings to its field force, the Company introduced a new general agent contract which allowed our field force to recruit a different type of agent that was once difficult to attain and opened up new marketing avenues.

Creating partnerships with new general agents and expanding existing relationships is essential for the Company to continue to grow. In 2009, several new general agents from across the country joined the Company's field force team. Committed to excellence, Kansas City Life will continue to explore opportunities to recruit general agents that share our business philosophy – one founded on honesty and integrity.

Moving forward into the new decade, Kansas City Life will continue to explore innovative and exciting methods to enhance its product portfolio, improve agency support, and ultimately serve the Company's client base. After all, that is what it takes to stand strong for 114 years – and counting.

“In Operations, we see ourselves as centralized support systems built for success, striving to be accessible and to ensure each experience our customers have with us meets their expectations.”

Charles R. Duffy Jr., FLMI
Senior Vice President, Operations



Individual Insurance

Kansas City Life Insurance Company is dedicated to providing financial security through its Individual Insurance segment. The Company's Individual Insurance segment offers life insurance products and services through two mediums: the Company's field force and through alliances with third-party companies.



Independent agencies operated by general agents and agents are the primary distributors of the Company's life insurance products. Each respective agency creates its own unique business plan, designed to ensure the agency is best equipped to fulfill the needs of its target market. Kansas City Life remains dedicated to recruiting talented members to its field force. In fact, the Company's expanding product portfolio and financial stability continues to make it an attractive business partner for general agents and agents.

As an additional method of distribution, representatives from American Republic Insurance Company and GuideOne Life Insurance Company are licensed to sell the Company's life insurance products, based on independent marketing agreements. Offering Kansas City Life's products enables American Republic and GuideOne representatives to satisfy the life insurance needs of their clients, while enhancing the range of services they already offer.

The Company measures life insurance sales or new business production with two components: new premiums recorded and new deposits received. Premiums consist of traditional individual

"We stand by our strong capital position as we invest prudently to support competitive products and maintain a long-term focus."

Tracy W. Knapp
Senior Vice President,
Finance

life insurance, immediate annuities, group life insurance and group accident and health insurance. Deposits consist of universal life insurance, variable universal life insurance, fixed deferred annuities and variable annuities.

In 2009, the Individual Insurance segment's total new deposits increased \$34.8 million or 51%, compared to a 1% decrease in 2008. The increase in 2009 was due to a \$46.2 million or 152% increase in new fixed deferred annuity deposits. New fixed deferred annuity deposits increased \$4.1 million or 15% in 2008.

Total renewal deposits increased 3% in 2009. A 54% increase in fixed deferred annuity deposits was partially offset by a 3% decrease in universal life deposits, an 8% decrease in variable universal life deposits and an 8% decrease in variable annuity deposits. The increase in fixed deferred annuity sales reflects consumer preferences for fixed-rate products, given the volatility of the market. This volatility and the difficult economic environment were significant factors in the declines in variable annuities, variable universal life and universal life.

Premiums increased 15% for the year, driven in particular by immediate annuity premiums, which increased 75% in 2009. The increase in immediate annuity sales represents continuing demand for guaranteed benefit and retirement income products by consumers and an increase in sales from a third-party arrangement. In total, the Individual Insurance segment is central to the Company's overall performance, producing

55% of consolidated insurance revenues in 2009, up from 54% in 2008.

Looking to the future, Kansas City Life is dedicated to growing the Individual Insurance segment primarily by recruiting talented general agents and agents who share the Company's business philosophy. The Company continues to expand and diversify its product portfolio, while offering new sales development techniques designed to attract new business partners. As an additional point of emphasis, the Company will also seek potential third-party marketing relationships such as those established with American Republic and GuideOne, to enhance sales.

GROUP INSURANCE

Kansas City Life Insurance Company offers several insurance products in the Group Insurance segment ranging from dental, group life, vision, and short- and long-term disability insurance.

The Group Insurance segment markets its group products primarily to small and mid-size organizations. Products are sold through group representatives targeting a nationwide network of independent general agents and group brokers, along with the Company's career general agents. This sales network is this segment's core distribution system. The Company also enters into third-party marketing arrangements to market its group products.

In 2009, the Group Insurance segment's core distribution tied its sales record set in 2008

with \$11.5 million in annualized premium sales. For the third consecutive year, the Group Insurance segment increased sales – breaking or tying sales records each year. In 2007, the segment broke its record with \$10 million in annualized premiums.

Contributing to the sales results were increased total disability sales, which were \$1.8 million in 2009, an increase of \$0.4 million from 2008. Total group premiums increased \$0.8 million or 1% in 2009, following a \$2.1 million or 4% increase in 2008.

The Group Insurance segment generated 20% of the Company's consolidated insurance revenues in 2009, a slight decrease from 21% in 2008. In addition, the Company has used reinsurance in several of its group product lines to help mitigate risk. Reinsurance on premiums increased \$1.7 million or 23% in 2009, following a \$0.8 million or 10% decrease in 2008. The 2009 increase was primarily due to group short- and long-term disability business.

Moving forward, the Group Insurance segment continues to focus on three primary areas of emphasis to help improve sales:

1. Emphasis is being placed on the growth of the in-force business, both through the Company's Group sales representatives and through third-party representatives.
2. Improving administrative efficiency through increased use of technology as a method to reduce expenses.
3. Continue to enhance the segment's product portfolio, with new product offerings and flexible options.

“Providing products that meet the needs of our policyholders, operating with integrity and assuring that Kansas City Life will be there to provide coverage when it is needed are what we stand for.”

Mark A. Milton,
FSA, CERA, MAAA
Senior Vice President and Actuary

**SUNSET FINANCIAL
SERVICES INC.**

Kansas City Life Insurance Company's in-house broker dealer facilitates the purchase, sale and management of securities such as variable universal life and variable annuity products. Through this effective alliance, Sunset Financial Services gives registered representatives the flexibility to market a full range of fixed and variable products through a single relationship.

With continued economic challenges and consumer reluctance to purchase market-related products, Sunset Financial Services' gross revenue decreased 34 percent for the year. Domestic and foreign market improvements in 2009 contributed to growth for Sunset Financial Services' client assets under management. Looking ahead to 2010 and beyond, Sunset Financial Services will continue working with Kansas City Life to help recruit and retain quality agencies and producers.

**DOMESTIC AND
FOREIGN MARKET
IMPROVEMENTS IN
2009 CONTRIBUTED
TO GROWTH FOR
SUNSET FINANCIAL
SERVICES' CLIENT
ASSETS UNDER
MANAGEMENT.**

OLD AMERICAN INSURANCE COMPANY

As an industry leader in the specialized final expense industry, Old American Insurance Company stood tall in the face of adverse economic conditions during 2009; working earnestly toward their mission to provide peace of mind to the senior market.

Old American carries out this mission through products that are designed to cover the necessary costs following the death of a loved one. These funds also provide comfort to surviving family members; knowing that money will be available for ongoing expenses.

During 2009, Old American focused on improving territory penetration, recruiting and agent productivity for its general agencies in order to effectively meet the sales goals of the Company. Furthermore, the Company recently expanded upon its traditional products by introducing a level term product to reach a younger market along with enhancing its core whole life products. Another driving force behind Old American's sales is its sophisticated approach to lead generation.

No doubt Old American kept up its stride in 2009 – the Company saw sales levels from its agency force increase 35% in Annual Premium Basis (APB) over 2008. For nine out of 12 months, the Company surpassed more than \$1 million in APB.

Recruitment and development of new agents played a critical role in the Company's 2009 success. In total, nearly 40% of all new premium was produced by agents in their first three years of service with the Company.

A family-oriented company with a long history, Old American is licensed in 46 states and the District of Columbia. Founded in 1939, the Company entered its 70th year of business in 2009, of which nearly 20 have been under its current parent company, Kansas City Life Insurance Company. Walter E. Bixby, a fourth generation member of the Bixby family that has led Kansas City Life since its early days, serves as Old American's President.

Looking forward, Old American will remain committed to delivering peace of mind through its successful nationwide general agency system with exclusive territories. Old American is focused on its core foundation for even further momentum to fuel profitable growth for its field force and the Company.

“Generational family companies are a rarity in this day and age and our family is proud to lead such a dedicated field force as we also stand by your side.”

Walter E. Bixby, LLIF
Vice Chairman of the Board,
Kansas City Life Insurance Company
President, Old American Insurance Company

SENIOR OFFICERS

KANSAS CITY LIFE INSURANCE COMPANY

R. Philip Bixby

President, Chief Executive Officer and
Chairman of the Board

Walter E. Bixby, LLIF

Vice Chairman of the Board
Kansas City Life Insurance Company
President
Old American Insurance Company

Charles R. Duffy Jr., FLMI

Senior Vice President, Operations

Tracy W. Knapp

Senior Vice President, Finance

Donald E. Krebs, MSM, CLU, ChFC

Senior Vice President, Sales and Marketing

Mark A. Milton, FSA, CERA, MAAA

Senior Vice President and Actuary

William A. Schalekamp, JD, CLU, FLMI

Senior Vice President,
General Counsel and Secretary

David A. Laird, CPA, FLMI

Vice President and Controller

Robert J. Milroy

Vice President, Underwriting
and New Business

John L. Nogalski, CPA, FLMI

Vice President, Taxes

Bruce G. Olberding

Vice President, Broker Dealer

Richard D. Ropp, FLMI, ACS

Vice President, Customer Services and
Claims

Stephen E. Ropp

Vice President, Operation Services

J. Todd Salash

Vice President, Computer Information
Services

Dan L. Schick, CPA, CLU, FLMI

Vice President and Auditor

Jeffrey M. Seeman

Vice President, Group

Philip A. Williams, CFA

Vice President, Securities

OLD AMERICAN INSURANCE COMPANY

R. Philip Bixby

Chairman of the Board

Walter E. Bixby, LLIF

President

John C. Alderton

Vice President, Sales

Gary K. Hoffman, JD, CLU, FLMI

Vice President, Associate General
Counsel and Secretary

Tracy W. Knapp

Chief Financial Officer

Robert J. Milroy

Vice President, Underwriting and
New Business

David A. Laird, CPA, FLMI

Vice President and Controller

Richard D. Ropp, FLMI, ACS

Vice President, Customer Services and
Claims

SUNSET LIFE INSURANCE COMPANY OF AMERICA

R. Philip Bixby

President, Chairman of the Board

Daryl D. Jensen, MAAA, FLMI

Vice Chairman of the Board

Donald E. Krebs, MSM, CLU, ChFC

Vice President, Sales and Marketing

David A. Laird, CPA, FLMI

Vice President and Controller

Robert J. Milroy

Vice President, Insurance Services and
Assistant Secretary

Mark A. Milton, FSA, CERA, MAAA

Vice President and Actuary

Richard D. Ropp, FLMI, ACS

Vice President, Policy Administration

Matthew R. O'Connor

Secretary

KANSAS CITY LIFE
INSURANCE COMPANY

OLD AMERICAN INSURANCE COMPANY

SUNSET LIFE INSURANCE
COMPANY OF AMERICA

SUNSET FINANCIAL SERVICES INC.

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VISIT US ON THE INTERNET:
WWW.KCLIFE.COM
WWW.OAIC.COM
WWW.SUNSETLIFE.COM
WWW.SUNSETFINANCIAL.COM

BOARD OF DIRECTORS – KANSAS CITY LIFE INSURANCE COMPANY

Kevin G. Barth

President and Chief Operating Officer
Commerce Bank
Kansas City, Missouri

John C. Cozad

President
Cozad Company, LLC
Platte City, Missouri

Cecil R. Miller, CPA

Retired Partner
KPMG LLP
Kansas City, Missouri

R. Philip Bixby

President, Chief Executive Officer and
Chairman of the Board
Kansas City Life Insurance Company
Kansas City, Missouri

Richard L. Finn

Retired Senior Vice President, Finance
Kansas City Life Insurance Company
Kansas City, Missouri

Mark A. Milton, FSA, CERA, MAAA

Senior Vice President and Actuary
Kansas City Life Insurance Company
Kansas City, Missouri

Walter E. Bixby, LLIF

Vice Chairman of the Board
Kansas City Life Insurance Company
President
Old American Insurance Company
Kansas City, Missouri

Nancy Bixby Hudson

Investor
Lander, Wyoming

Bradford T. Nordholm

Chief Executive Officer
Starwood Energy Group Global LLC
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Retired Senior Vice President, Corporate
Strategy and Development
Embarq
Overland Park, Kansas

Daryl D. Jensen, MAAA, FLMI

Vice President of Finance
Western Institutional Review Board
Olympia, Washington
Retired President and Vice Chairman
of the Board
Sunset Life Insurance Company of
America
Kansas City, Missouri

William A. Schalekamp, JD, CLU, FLMI

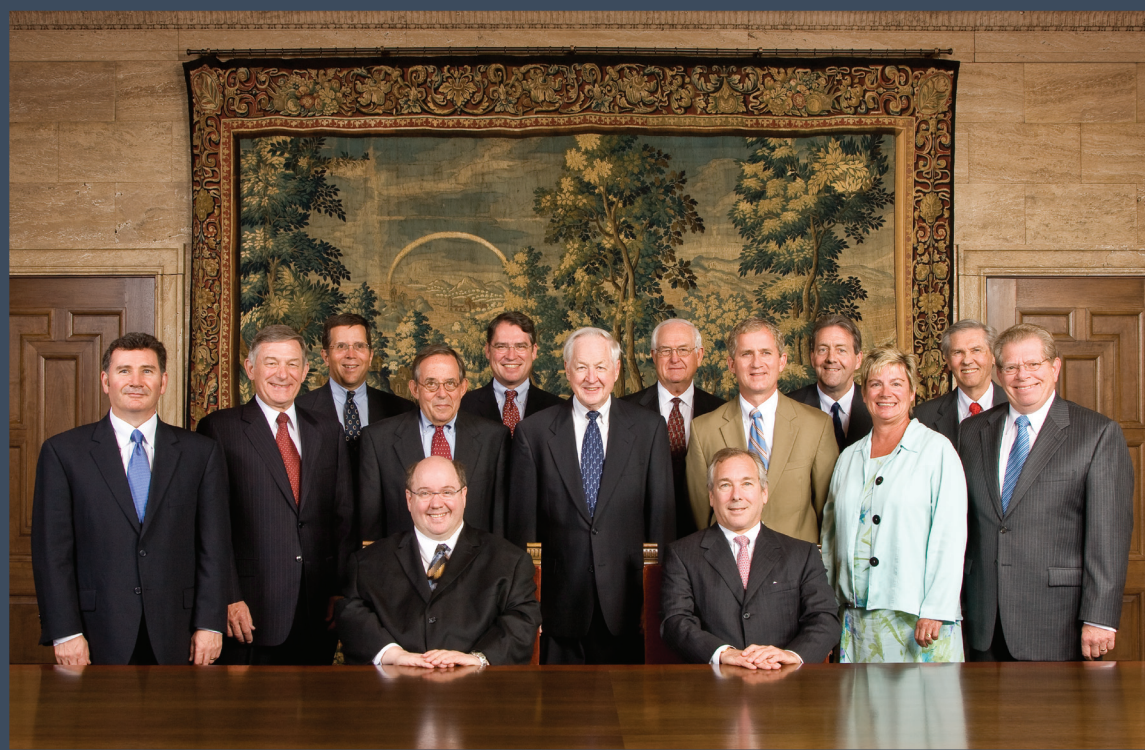
Senior Vice President, General Counsel
and Secretary
Kansas City Life Insurance Company
Kansas City, Missouri

Michael Braude

Retired President and Chief Executive
Officer
Kansas City Board of Trade
Kansas City, Missouri

Tracy W. Knapp

Senior Vice President, Finance
Kansas City Life Insurance Company
Kansas City, Missouri



STOCKHOLDER INFORMATION

CORPORATE HEADQUARTERS

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3520 Broadway
Post Office Box 219139
Kansas City, MO 64121-9139
Telephone: 816-753-7000
Fax: 816-753-4902
Internet: <http://www.kclife.com>
E-mail: kclife@kclife.com

NOTICE OF ANNUAL MEETING

The annual meeting of stockholders will be held at 9 a.m. Central Time on Thursday, April 22, 2010, at Kansas City Life's corporate headquarters.

TRANSFER AGENT

William A. Schalekamp, Secretary
Kansas City Life Insurance Company
Post Office Box 219139
Kansas City, MO 64121-9139

10-K REQUEST

Stockholders may request a free copy of Kansas City Life's Form 10-K, as filed with the Securities and Exchange Commission, by writing to Secretary, Kansas City Life Insurance Company.

SECURITY HOLDERS

As of January 31, 2010, Kansas City Life had approximately 2,500 security holders, including individual participants in security position listings.

STOCK AND DIVIDEND INFORMATION

Stock Quotation Symbol

NASDAQ – KCLI

The following table presents the high and low prices for the Company's common stock for the periods indicated and the dividends declared per share during such periods.

	<u>High</u>	<u>Low</u>	<u>Dividend Paid</u>
2009:			
First quarter	\$44.63	\$ 15.20	\$ 0.27
Second quarter	40.22	19.70	0.27
Third quarter	37.75	25.39	0.27
Fourth quarter	33.31	25.00	0.27
			<u>\$ 1.08</u>
2008:			
First quarter	\$49.15	\$ 39.36	\$ 0.27
Second quarter	52.85	41.51	0.27
Third quarter	57.93	41.16	0.27
Fourth quarter	53.93	33.06	0.27
			<u>\$ 1.08</u>

A quarterly dividend of \$0.27 per share was paid February 10, 2010.

NASDAQ market quotations are compiled according to Company records and may reflect inter-dealer prices, without markup, markdown or commission and may not necessarily represent actual transactions.



KANSAS CITY LIFE

**KANSAS CITY LIFE INSURANCE COMPANY
HOME OFFICE: KANSAS CITY, MISSOURI**