

Kansas City Life Insurance Company

2015 Third 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

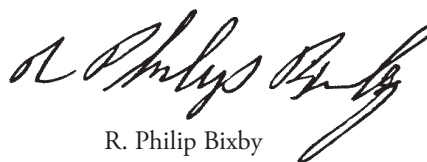


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Message from the President, CEO and Chairman of the Board

Kansas City Life Insurance Company recorded net income of \$5.4 million or \$0.52 per share in the third quarter of 2015, a decrease of \$2.5 million or \$0.21 per share relative to the same quarter in the prior year. The decline in earnings for the quarter was primarily due to increased policyholder benefits, including increased death benefits. Net income totaled \$23.1 million or \$2.16 per share in the first nine months of 2015, an increase of \$0.9 million or \$0.13 per share relative to the same period one year earlier. The results for both periods reflected reductions in amortization of deferred acquisition costs, interest credited to policyholder account balances, and operating expenses. In addition, net realized investment gains increased in both periods, primarily resulting from a gain on the sale of real estate during the third quarter of 2015. Partially offsetting these favorable factors in both periods were decreases in insurance revenues, primarily from reduced contract charges and lower premiums from annuity and accident and health products, and decreases in net investment income. The decline in net investment income reflects the continuing low interest rate environment.

On October 26, 2015, the Kansas City Life Board of Directors declared a quarterly dividend of \$0.27 per share that will be paid on November 11, 2015 to stockholders of record on November 5, 2015.



R. Philip Bixby



Kansas City Life Insurance Company
Consolidated Balance Sheets
(amounts in thousands, except share data)

	September 30 2015	December 31 2014
	(Unaudited)	
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value	\$ 2,697,443	\$ 2,726,731
Equity securities available for sale, at fair value	24,758	24,881
Mortgage loans	568,952	541,180
Real estate	163,030	181,082
Policy loans	81,748	83,553
Short-term investments	23,071	39,107
Other investments	265	462
Total investments	3,559,267	3,596,996
Cash	9,699	11,011
Accrued investment income	35,775	33,078
Deferred acquisition costs	262,805	249,195
Reinsurance recoverables	200,498	194,425
Property and equipment	16,722	17,527
Other assets	53,670	63,134
Separate account assets	364,621	406,501
Total assets	\$ 4,503,057	\$ 4,571,867
LIABILITIES		
Future policy benefits	\$ 930,478	\$ 930,761
Policyholder account balances	2,060,954	2,072,041
Policy and contract claims	46,405	37,452
Other policyholder funds	173,229	165,062
Other liabilities	197,530	217,291
Separate account liabilities	364,621	406,501
Total liabilities	3,773,217	3,829,108
STOCKHOLDERS' EQUITY		
Common stock, par value \$1.25 per share		
Authorized 36,000,000 shares, issued 18,496,680 shares	23,121	23,121
Additional paid in capital	41,025	41,007
Retained earnings	852,941	838,508
Accumulated other comprehensive income	5,554	23,040
Treasury stock, at cost (2015 - 7,887,781 shares; 2014 - 7,671,475 shares)	(192,801)	(182,917)
Total stockholders' equity	729,840	742,759
Total liabilities and stockholders' equity	\$ 4,503,057	\$ 4,571,867

Please refer to the Company's Form 10-Q and Annual Report on Form 10-K, as amended.



Kansas City Life Insurance Company
Consolidated Statements of Comprehensive Income
(amounts in thousands, except share data)

	Quarter Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
REVENUES				
Insurance revenues:				
Net premiums	\$ 39,378	\$ 42,480	\$ 120,196	\$ 125,601
Contract charges	28,632	29,541	83,467	89,173
Total insurance revenues	68,010	72,021	203,663	214,774
Investment revenues:				
Net investment income	38,277	40,608	118,175	122,650
Net realized investment gains, excluding other-than-temporary impairment losses	4,475	981	6,724	3,430
Net impairment losses recognized in earnings:				
Total other-than-temporary impairment losses	(419)	(765)	(2,189)	(1,221)
Portion of impairment losses recognized in other comprehensive income (loss)	(9)	433	(171)	620
Net other-than-temporary impairment losses recognized in earnings	(428)	(332)	(2,360)	(601)
Total investment revenues	42,324	41,257	122,539	125,479
Other revenues	1,927	2,385	5,737	7,061
Total revenues	112,261	115,663	331,939	347,314
BENEFITS AND EXPENSES				
Policyholder benefits	51,553	49,675	149,699	152,582
Interest credited to policyholder account balances	18,597	18,999	55,626	57,205
Amortization of deferred acquisition costs	9,244	9,797	19,586	31,154
Operating expenses	24,707	25,588	73,790	74,321
Total benefits and expenses	104,101	104,059	298,701	315,262
Income before income tax expense	8,160	11,604	33,238	32,052
Income tax expense	2,725	3,644	10,126	9,795
NET INCOME	\$ 5,435	\$ 7,960	\$ 23,112	\$ 22,257
COMPREHENSIVE INCOME (LOSS), NET OF TAXES				
Change in net unrealized gains on securities available for sale, net of DAC and VOBA	\$ (1,783)	\$ (9,096)	\$ (18,941)	\$ 29,177
Change in future policy benefits	139	623	1,289	(5,939)
Change in policyholder account balances	17	41	166	(203)
Other comprehensive income (loss)	(1,627)	(8,432)	(17,486)	23,035
COMPREHENSIVE INCOME (LOSS)	\$ 3,808	\$ (472)	\$ 5,626	\$ 45,292
Basic and diluted earnings per share:				
Net income	\$ 0.52	\$ 0.73	\$ 2.16	\$ 2.03

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