Includes our subsidiaries:
Sunset Life Insurance Company of America
Old American Insurance Company
Generations Bank
Sunset Financial Services, Inc.
Post Office Box 219139
Kansas City, Missouri 64121-9139
Listing: NASDAQ
Stock Symbol: KCLI
www.kclife.com

Net income increased 7% for the third quarter at Kansas City Life Insurance Company, rising to $9.5 million or $0.80 per share from $8.9 million or $0.75 per share a year earlier. Net income for the nine months increased 6% to $26.8 million or $2.26 per share from $25.3 million or $2.12 per share in 2005. The increase in earnings for both periods was due to increased revenues, including a 2% increase during the third quarter and a 1% increase for the nine months.

The growth in revenues was $2.3 million during the third quarter and was primarily the result of increased premiums and improvement in realized investment gains. Growth in revenues during the nine months reflected increases in net investment income, realized investment gains, and other revenues totaling $2.6 million.

Deposits from new universal life sales increased 16% for the third quarter and 7% for the nine months. New individual life insurance premiums declined for the third quarter and nine months, but new variable universal life deposits increased for both periods. New deposits from fixed deferred and variable annuities continued to decline due to competitive factors, while group accident and health sales increased for the quarter and year-to-date as a result of improved group dental sales.

Net investment income declined 1% in the third quarter but increased 1% for the nine months. Interest rates have generally increased over the prior year and the increase has helped improve investment yields. Offsetting the improved yields, the Company’s invested assets declined for both the third quarter and the nine months compared with the same periods a year ago. Increased surrenders of life insurance policies and lower sales of annuities contributed to the lower level of invested assets.

Policyholder benefits increased 4% for the third quarter, primarily due to increased death benefits, but decreased 1% for the nine months. Death benefits increased in both the third quarter and nine months compared with the prior year, while interest credited to policyholder account balances declined 1% for the third quarter and 2% for the nine months. Interest credited has declined primarily due to reduced policyholder account balances.

Today’s financial services environment is intensely competitive, but Kansas City Life believes that there are many unique opportunities for success and growth. At Kansas City Life, Security Assured is built and honored over time. The Company’s core strengths of a solid financial base, emphasis on growth, a commitment to those we serve and steady earnings, position us well to meet today’s and tomorrow’s challenges. While we acknowledge the ever-present challenges, we are pleased with the results we have attained and we look forward to continuing the Company’s achievements as we conclude 2006.

Additionally, the Kansas City Life Board of Directors approved a quarterly dividend of $0.27 per share to be paid November 14, 2006, to shareholders of record as of November 9, 2006.

R. Philip Bixby
Consolidated Statements of Income (Unaudited)

(Thousands, except share data)

<table>
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<th>Quarter ended</th>
<th>Nine Months ended</th>
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<td>September 30</td>
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<td>2006</td>
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Revenues

Insurance revenues:
- Premiums: $43,321 ($42,275) $131,902 $154,736
- Contract charges: 28,364 25,525 86,217 85,422
- Reinsurance ceded (13,397) (13,605) (49,622) (41,304)

Total insurance revenues: 58,288 57,185 177,197 178,854

Investment revenues:
- Net investment income: 48,985 49,340 146,731 144,991
- Realized investment gains (losses): 757 (94) 3,297 863
- Other revenues: 3,330 2,617 8,835 7,833

Total revenues: 111,370 109,058 355,160 332,541

Benefits and expenses

Policymember benefits: 43,625 42,120 129,794 131,555
- Interest credited to policymember account balances: 22,295 22,624 67,956 68,532
- Amortization of deferred acquisition costs and value of business acquired: 10,623 10,751 32,939 31,519
- Operating expenses: 23,935 21,387 67,616 66,220

Total benefits and expenses: 98,078 98,982 297,705 297,826

Income before income tax expense: 13,292 12,166 37,455 34,715

Income tax expense: 3,768 3,264 10,831 9,428

Net income: $9,524 $8,902 $26,624 $25,287

Per common share:
- Net income, basic and diluted: $0.80 $0.75 $2.26 $2.12
- Cash dividends: $0.27 $0.27 $0.81 $0.81

Consolidated Balance Sheets

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<th>September 30</th>
<th>December 31</th>
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<tr>
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<td>2006 (Unaudited)</td>
<td>2005</td>
</tr>
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Assets

Investments:
- Fixed maturity securities available for sale, at fair value: $2,744,720 $2,865,476
- Equity securities available for sale, at fair value: 58,388 52,775
- Mortgage loans: 464,281 458,668
- Short-term investments: 21,417 46,383
- Other investments: 221,782 185,137

Total investments: 3,510,548 3,608,439

Cash: 3,317 10,985
Deferral acquisition costs: 221,009 226,963
Value of business acquired: 84,673 89,305
Other assets: 261,024 254,620
Securities available for sale, at fair value: $2,744,720

Total assets: $4,457,570 $4,558,372

Liabilities

Policies and benefits: 2,214,779 2,278,418
Notes payable: 33,744 40,155
Other liabilities: 278,655 304,154
Total liabilities: 2,526,178 2,982,727

Stockholders' equity

Common stock: 25,566 26,863
Additional paid in capital: 20,121 23,121
_retained earnings: 774,007 756,807
Cumulative other comprehensive income: (21,472) (8,486)
Less treasury stock: (119,041) (116,366)

Total stockholders' equity: 681,981 680,819

Total liabilities and equity: $4,457,570 $4,558,372

Consolidated Statements of Cash Flows (Unaudited)

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<th>September 30</th>
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<td></td>
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Operating activities

Net cash provided: $(6,194) $(29,828)

Investing activities

Purchases of investments:
- Fixed maturity securities: (195,177) (434,355)
- Equity securities: (9,735) (4,123)
- Mortgages loans: (45,787) (76,158)
- Other investment assets: (44,401) (11,249)

Sales of investments:
- Fixed maturity securities: 83,029 145,930
- Equity securities: 1,123 4,123
- Other investment assets: 32,206 51,736

Maturities and principal payments of other investments: 241,362 373,795

Net additions to property and equipment: (1,097) (634)

Net cash provided: 63,521 31,076

Financing activities

Proceeds from borrowings: 55,706 28,064
Repayment of borrowings: (63,045) (84,602)
Deposits on policyholder account balances: 153,437 188,149
Withdrawals from policyholder account balances: (202,000) (181,386)
Net transfers from separate accounts: 13,166 13,052
Change in other deposits: (6,275) (8,736)
Cash dividends to stockholders: (9,624) (9,658)
Net acquisition of treasury stock: (2,172) (1,032)
Net cash used: (65,960) (62,296)

Decrease in cash: 7,668 1,392
Cash at beginning of year: 10,985 6,147
Cash at end of period: $8,317 $7,755

Notes

1. Comprehensive income (loss) was $46.5 million and ($82.7) million for the third quarter of 2006 and 2005, and $12.5 million and $4.7 million for the nine months ended September 30, 2006 and 2005, respectively. This varies from net income largely due to unrealized gains or losses on investments.

2. Income per common share is based on the weighted average number of shares outstanding for the nine months, 11,888,046 shares (11,810,599 shares - 2005).

3. 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.