



KANSAS CITY LIFE INSURANCE COMPANY GENERATIONS OF STRENGTH



2007

ANNUAL REPORT



KANSAS CITY LIFE

Kansas City Life
Insurance Company's
impressive Home
Office building is a
local landmark,
completed in 1924
on a five-acre
tract that boasts
magnificent trees
and a commanding
view of the
surrounding area.



Message from the President

Kansas City Life Insurance Company recorded net income of \$35.7 million or \$3.01 per share for the year ended December 31, 2007, a decrease of \$1.3 million from the prior year. The decline in earnings for the year was a result of reduced insurance and investment revenues, along with increased income tax expense.

Total insurance revenues declined largely as a result of lower contract charges from reduced balances of life and annuity deposit products. However, the Company's new sales of life insurance products increased for the year. Total new insurance premiums increased 1%, and total new deposits increased 8% for the year. New insurance premiums increased primarily due to a 1% increase in new individual life sales and a 13% increase in new immediate annuity receipts. The increase in new deposits resulted from a 7% increase in new universal life sales, a 5% increase in new variable universal life deposits and a 37% increase in new variable annuity sales.

Kansas City Life's investment revenues declined due to lower net investment income for the year. Net investment income decreased 3% compared to the prior year. This decline was driven by lower invested assets during the year, which was primarily the result of increased surrenders and withdrawals of insurance and annuity deposit products. The Company's net realized investment gains for the year were \$5.4 million, generated largely from real estate sales.

Benefits and expenses declined for the year in comparison to 2006. Favorable mortality experience and reduced interest credited from lower policyholder account balances accounted for a large portion of the \$11.6 million decline in total benefits and expenses for the year. Lower operating expenses resulted primarily from lower compensation costs.

Income tax expense increased for the year, largely due to reduced low-income housing tax credits generated by the Company and adjustments in tax expense from earlier years.

Other Company highlights:

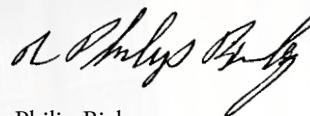
- Kansas City Life continues to enhance the product portfolio to keep pace with the changing financial service needs of each generation of clients. In 2007, the Company introduced a guaranteed minimum withdrawal benefit rider that allows the field force to more fully compete with other leading insurance carriers and helps ensure predictable and sustainable retirement income for customers. In 2008, Kansas City Life will unveil other additions and enhancements to the portfolio, including the Company's first return-of-premium term life insurance product.
- Old American Insurance Company had a very strong sales year in 2007. New premiums increased 5% in 2007 compared with 2006. Old American is continuing to build on sales momentum created by product enhancements and marketing changes to improve its competitive position.
- The Group Insurance segment is continuing an ongoing focus on increasing sales and improving financial results. The efforts

include increased emphasis on direct sales by Group sales representatives rather than through third-party marketers. This shift helped drive a 49% increase in new sales of group life insurance in 2007.

- In 2007, the Company completed the sale of Generations Bank for \$10.1 million. The sale generated a gain of \$1.9 million. This sale supports the Company's insurance-specific initiatives.
- Kansas City Life continues to have solid financial strength. The Company earned "A" ratings from A.M. Best and Standard & Poor's, two of the nation's leading insurance rating agencies.
- Additionally, the Company maintains a strong capital position, which gives Kansas City Life the ability to weather difficult economic cycles. As an indication of this strength, the Company paid a special dividend of \$2 per share to shareholders in 2007, in addition to regular quarterly dividends.

In September, we were saddened by the death of Warren "Bill" Hunzicker, M.D., who was an active Kansas City Life Board of Directors member for 18 years and also served nearly 20 years as the Company's vice president and medical director. Dr. Hunzicker's leadership and counsel will be missed.

Looking ahead, the Company remains committed to continuing the 112-year tradition of providing **Security Assured** and high-quality service to customers. Generations of Kansas City Life customers have benefited from the Company's financial strength, and we look forward to serving future generations of customers as well.



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



The Kansas City Life Group of Companies



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 our 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 annuities and a diverse range of group products. The Company and our subsidiaries provide financial services, including insurance and investments.* Kansas City Life has been **Security Assured** for 112 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 to 85 through final arrangements planning, Social Security and retirement income replacement insurance and charitable giving life insurance. The subsidiary operates in 46 states and the District of Columbia.



Sunset Life Insurance Company of America

Sunset Life (www.sunsetlife.com) provides a competitive portfolio of traditional and interest-sensitive products. The Sunset Life sales force was integrated into the Kansas City Life sales force in 2006.



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, trusts, money market funds, CDs and asset management products.

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

Financial Highlights

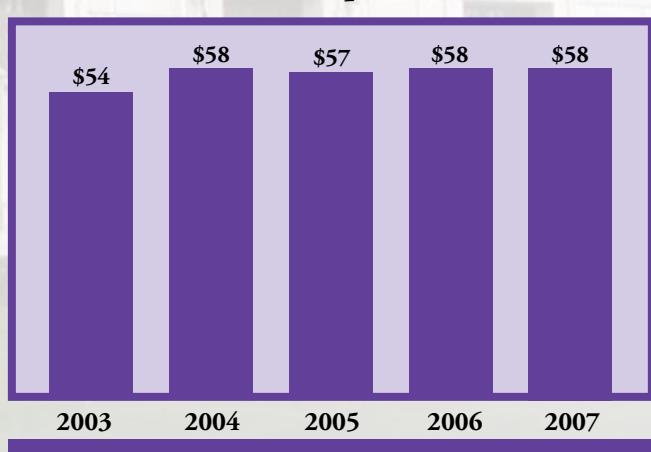
Revenue (shown in millions)



Net Income (shown in millions)



Book Value per Share



Corporate Highlights

Sales and Marketing

The just-completed year was an exciting and progressive one for Kansas City Life Insurance Company and the agencies and clients who have benefited from our strength and partnered with us for generations. In 2008, we began a series of enhancements that will help us continue to prosper and grow.

Last fall we introduced FIVE PlusSM, a new guaranteed minimum withdrawal benefit (GMWB) rider that allows us to compete more effectively with other leading financial service companies. A new direction for Kansas City Life, the GMWB offers clients a predictable and sustainable retirement income with further growth possibilities, depending on market performance.

Further expanding our products and services toolbox in early 2008, Kansas City Life introduced SuperNOVA, an enhanced version of one of our most popular universal life products, and FlexWealth AdvantageSM, a new universal life option to help clients take control of their money. In the months ahead, we will introduce our first return-of-premium term insurance coverage. The bottom line with all these enhancements and additions is to help our agencies better satisfy the changing financial service needs of prospective and current clients.

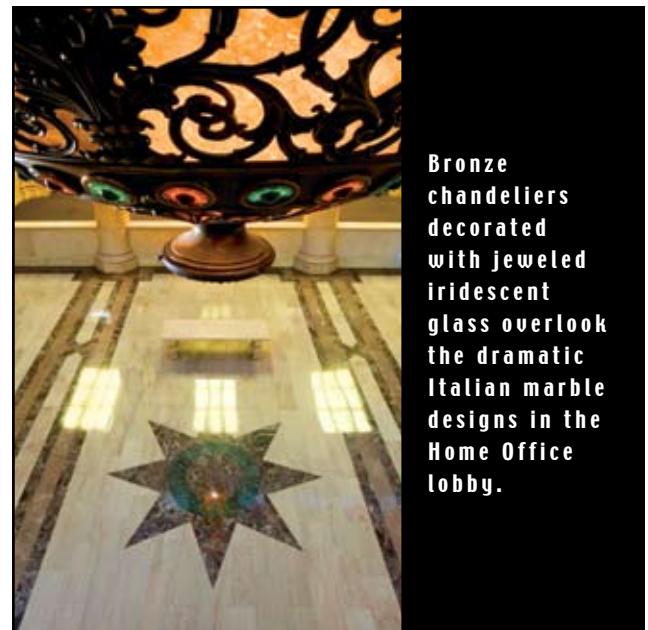
Additionally, Kansas City Life remains committed to continuing to provide competitive products, superior customer service, financial strength, specialized training, and superior sales and marketing support. Together these are our value proposition, which is designed to help our agencies grow their businesses.

While all these elements are critical to our ongoing success, what has set Kansas City Life apart from the competition is our relationships with our field force. These relationships are a critical reason that generations of agencies and their clients have turned to Kansas City Life over the past 112 years and why new generations of general agents, agents and their clients are now joining our strong and balanced partnership.

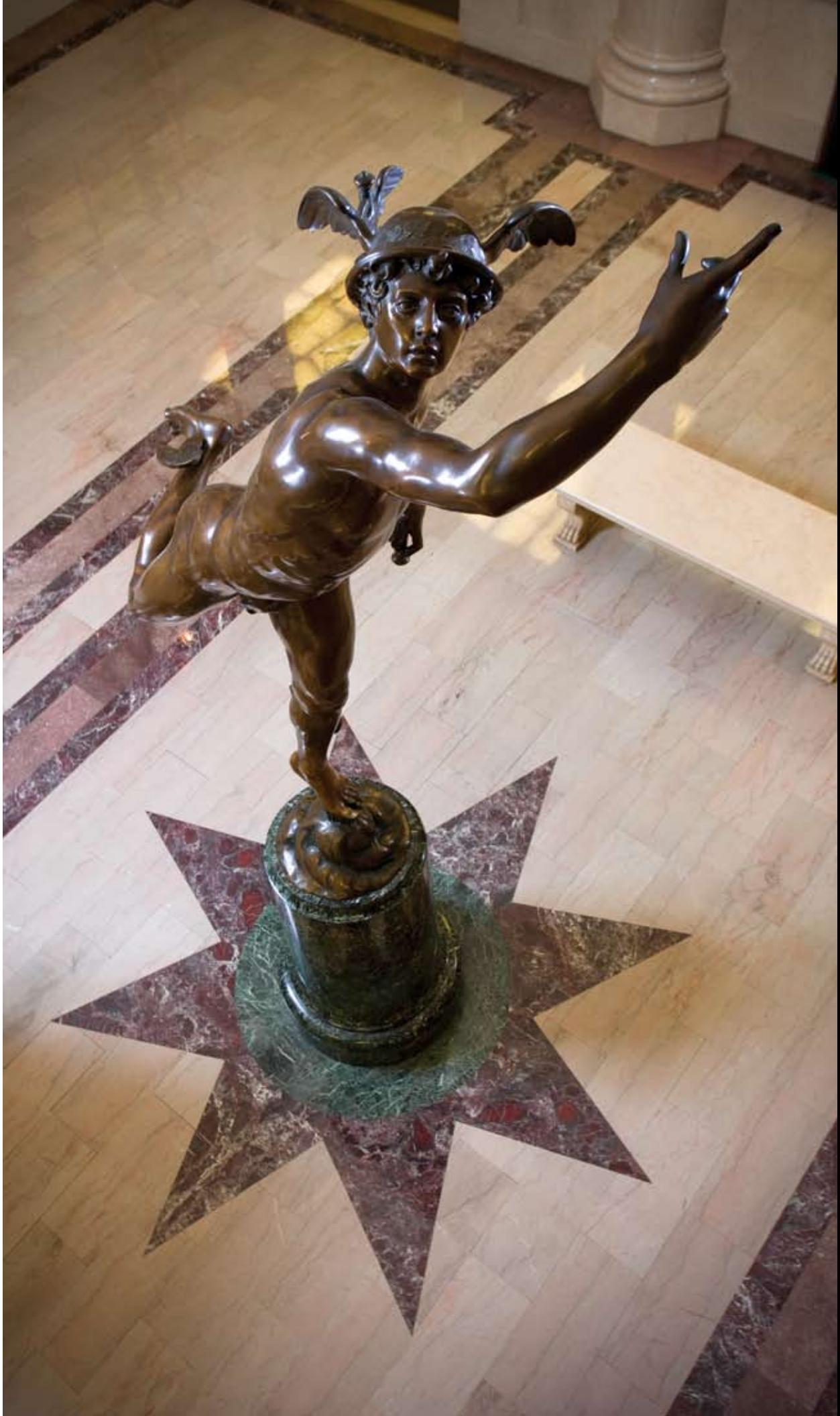
The Kansas City Life side of this balanced partnership is to build and fortify these relationships with our field force. For our field force, the partnership contribution isn't the quantity of services they sell. Instead, it's their commitment to do business with Kansas City Life. We highly value the opportunity to do business with people who appreciate doing business with us.

Partnerships. That's what has kept Kansas City Life Insurance Company strong for generations. As we have since 1895, the Company will continue to proudly partner with agencies, policyowners and associates to deliver the Security Assured that each expects and so richly deserves. Generations of strength for today and tomorrow, too. This is Kansas City Life.

Brass-outlined
customer
service
windows
recall long-ago
days when
many policy-
owners paid
their premiums
at the Home
Office.

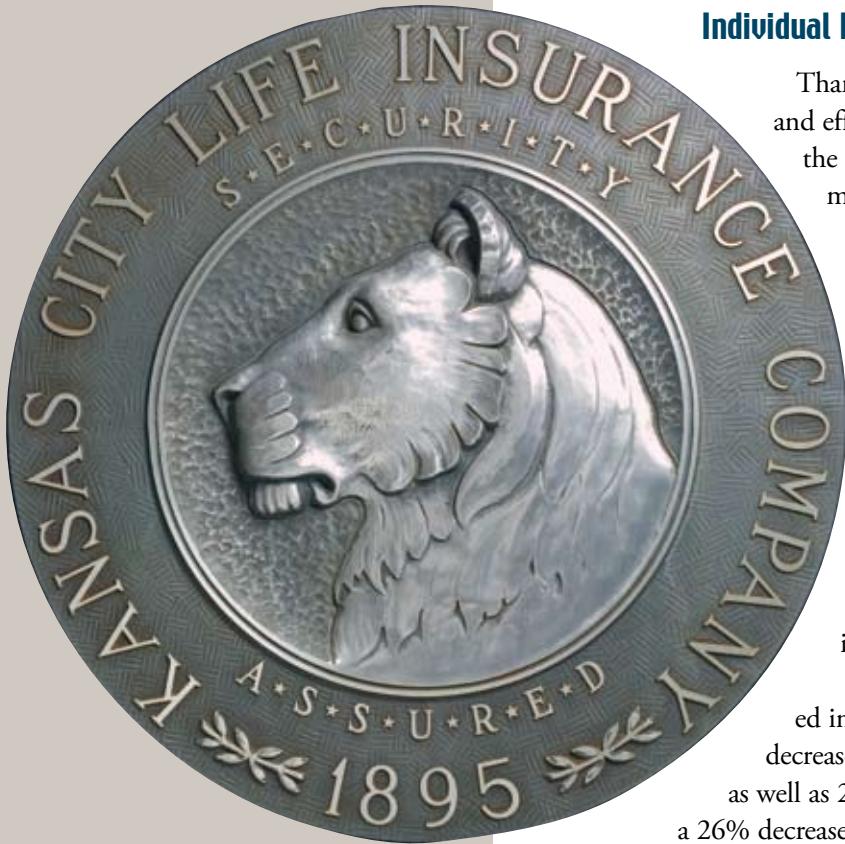


Bronze chandeliers decorated with jeweled iridescent glass overlook the dramatic Italian marble designs in the Home Office lobby.



Perched atop a pedestal of Verde marble, Kansas City Life's Mercury is modeled after the 16th century Giambologna classic in Florence, Italy. Mercury is the messenger of good tidings and protector of commerce, a perfect centerpiece for the Company's Home Office lobby.

Individual Insurance



The lioness in Kansas City Life Insurance Company's logo symbolizes strength, stability and protection—providing security Assured since 1895.

Group Insurance

Kansas City Life Insurance Company's Group Insurance segment markets dental, life, short- and long-term disability, and vision insurance products primarily to small and mid-size organizations. Products are sold through Group Insurance representatives who target a nationwide network of independent general agents and group brokers and also through the Company's career general agents. By emphasizing these sales, Group Insurance's core distribution set an annualized premiums sales record of \$10 million in 2007, which followed a record of more than \$9 million in 2006. This is in addition to Group Insurance products sold through selective third-party marketing arrangements.

The Group Insurance segment generated 19% of the Company's customer revenues in 2007, up from 18% in 2006. Contributing to the higher customer revenues, new group life premiums increased an impressive 49% in 2007 after a 23% decrease in 2006. Policyholder benefits for Kansas City Life's group accident and health product line increased \$1.0 million or 4% in 2007, largely because of an increase in group dental benefits paid.

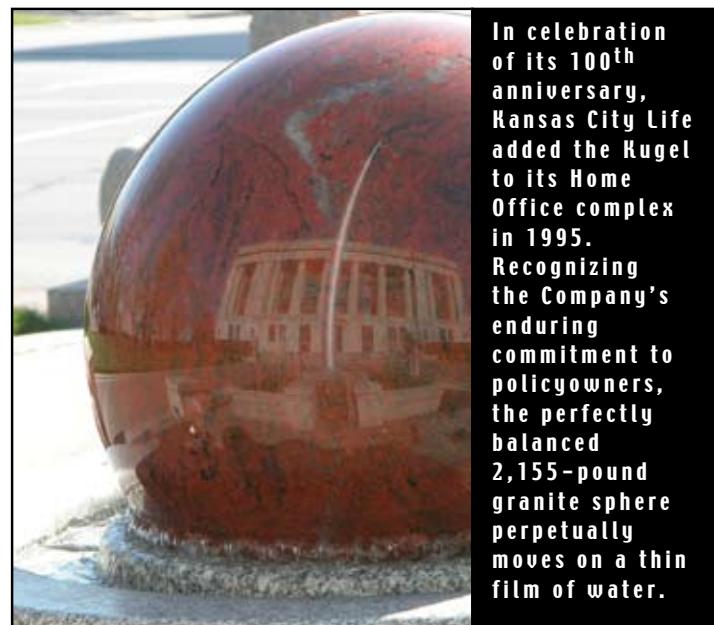
For 2008 and beyond, the Company continues to focus on three key improvement opportunities:

1. Grow in-force premiums, particularly from the Group representative sales force.
2. Increase the use of technology to improve administrative efficiency and reduce expenses.
3. Add new products to the portfolio.

Thanks to Kansas City Life Insurance Company's continuing and effective focus on life insurance products and distribution, the Company's Individual Insurance segment generated the majority of consolidated net income for 2007. These products are primarily marketed through independent general agents and agents who sell face-to-face to their clients.

The total also includes sales through two alternate marketing channels. Based on a marketing arrangement that began in 2006, American Republic Insurance Company's nearly 600 agent representatives offer Kansas City Life life insurance products to their customers. Additionally, we continue to make our life insurance products available through the agents of GuideOne Insurance Company. American Republic and GuideOne representatives are expected to continue contributing to individual life insurance sales in the future.

The Individual Insurance segment's successful year is reflected in 2007 new premiums, which increased 6% following a 27% decrease in 2006; renewal premiums, which increased 2% in 2007 as well as 2006; and new deposits, which increased 8% in 2007 after a 26% decrease in 2006. Customers showed increased interest in equity markets, which prompted a 37% increase in new variable annuity deposits in 2007 compared with a 14% decline in 2006. Also, new universal life deposits increased 7% and new variable universal life deposits increased 5% in 2007 compared with 2006. Overall, the Individual Insurance segment produced 56% of consolidated customer revenues for 2007.





Intricate carvings highlight the ceiling and top the 20-foot-tall Botticino marble columns that frame Kansas City Life's dramatic Home Office lobby. The building's interior and exterior reflect classic Greek Doric architecture.

Sunset Financial Services Inc.

Kansas City Life Insurance Company's in-house broker/dealer facilitates the purchase, sale and management of securities like variable universal life (VUL) and variable annuity (VA) 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.

Despite volatile domestic and foreign market performance in 2007, Sunset Financial Services revenue increased 17% for the year, which compares with a 13% increase the previous year. Looking ahead to 2008 and beyond,

Sunset Financial Services has laid the groundwork for increased sales and improved performance and will continue working with Kansas City Life to help recruit and retain quality agencies and producers.



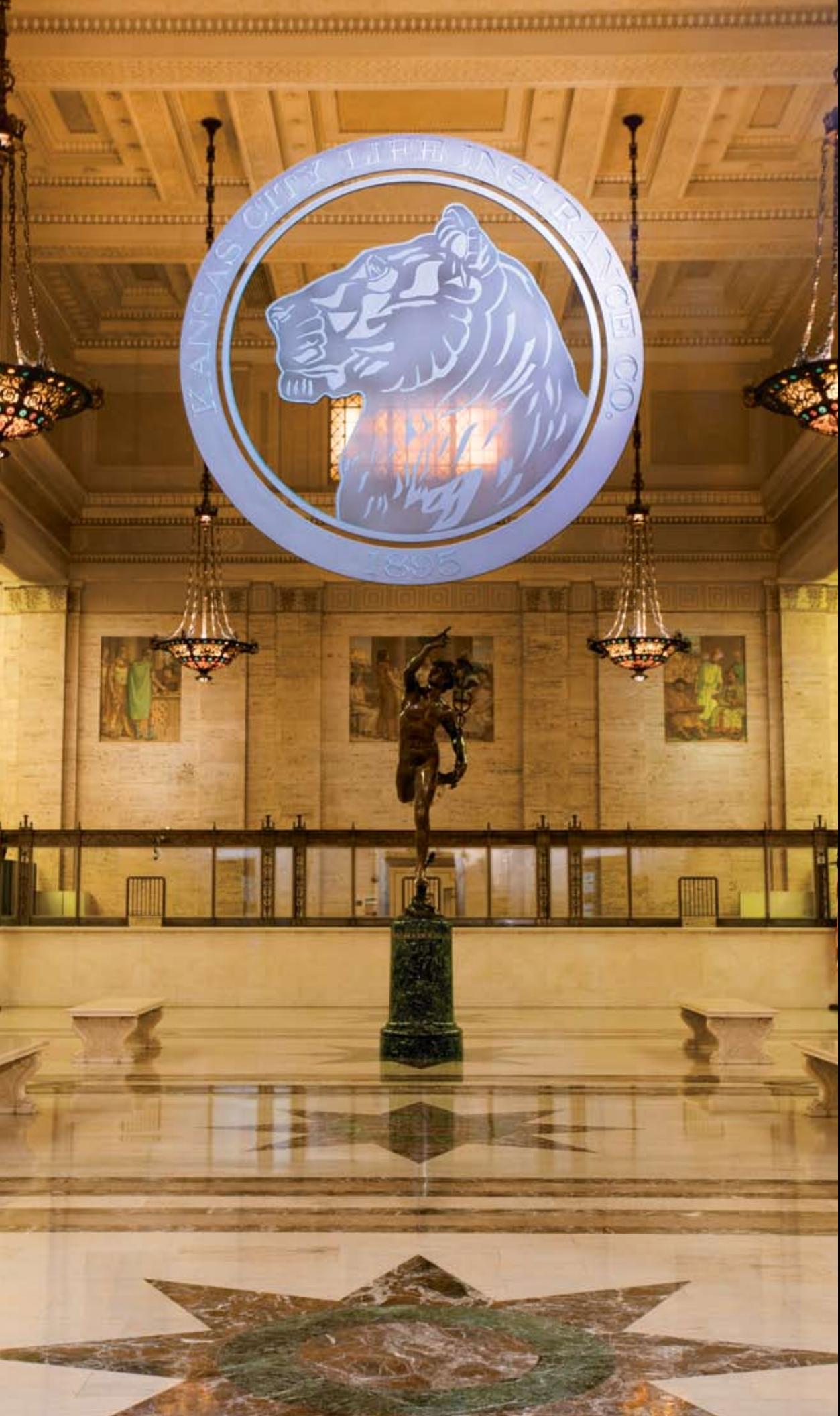
Two granite lionesses proudly guard the entrance to Kansas City Life's Home Office, lasting reminders of the Company's stability and strength.



Each pierced bronze panel in Kansas City Life's massive Home Office front doors tells a visual story of strength, protection, guardianship, longevity or beauty.

Colorful lobby murals recreate moments of industry history, including the 214 B.C. construction of the Great Wall of China as insurance against invasion.





Originally chartered in 1895 as Bankers Life Association, Kansas City Life Insurance Company has grown to \$439.2 million in revenues and life insurance in force of more than \$31 billion. Today, Kansas City Life and our subsidiaries provide Security Assured to generations of customers across 49 states.

Like the mighty eagle in the logo, Old American Insurance Company promises strength and protection for more than 200,000 policyholders. The artwork below, which is displayed in Old American's offices, was created shortly after the subsidiary adopted the eagle symbol in the 1950s.

Old American was incorporated in 1939 by the principal partners of a successful Kansas City, Missouri, insurance agency. Created to satisfy the needs of a forgotten market segment, the founding McGee family believed nobody should be considered uninsurable simply because of their age.

Today, Old American's president is Walter E. Bixby, a fourth-generation member of the Bixby family that has led Kansas City Life Insurance Company since the Company's early days. Under his leadership, Old American continues to adjust and adapt its approach to keep pace with the changing needs of the final expense insurance market.

Old American Insurance Company

For nearly 70 years, Old American Insurance Company has provided peace of mind to the senior market, helping to enhance the quality of life for policyholders and beneficiaries. The final expense products offered by Old American are designed to cover necessary costs following a death and also to provide reassurance to surviving family members that money will be available for ongoing living expenses.

Old American's final expense products have long been appreciated by policy-owners. However, the subsidiary has faced challenges during the last decade from competitors with similar offerings. In 2007, Old American experienced a positive sales year—generating 8% of the consolidated net income for all Kansas City Life Insurance Company operations.

After nearly a decade of flat or decreasing sales, Old American surged ahead in 2007, exceeding 2006 annualized sales by 18%. Unlike previous years when sales for most of Old American's independent general agencies were flat, 63% of agencies met or exceeded their 2007 sales projections.

Contributing to the 2007 sales success were rate structure improvements in late 2006 to reward policyowners who lead healthier lifestyles. In addition, the subsidiary's approach to lead generation has long been recognized in the industry and will continue to strengthen Old American sales.

During 2007, Old American also focused on retaining business rather than simply recruiting new customers. The subsidiary introduced customer follow-up communications and coupled them with value-added benefits to help improve customer loyalty.

Thanks to these and other enhancements, Old American produced 26% of consolidated customer revenues in 2007, the same as in 2006. The subsidiary also increased new premiums 5% in 2007, compared to a 12% decrease in 2006.

Old American is committed to delivering peace of mind through the subsidiary's successful nationwide general agency system with exclusive territories and to evaluating additional ways to increase overall sales and customer retention. For 2008, Old American is focusing on recruiting as well as supporting improved production from existing agencies and agents.



Senior Officers



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, MAAA
Senior Vice President
and Actuary



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

**Kansas City Life
Insurance Company**

Old American Insurance Company

**Sunset Life Insurance
Company of America**

Sunset Financial Services Inc.

**Home Office
3520 Broadway
Kansas City, MO 64111
Phone: 816-753-7000**

Visit us on the Internet:
www.kclife.com
www.oaic.com
www.sunsetlife.com
www.sunsetfinancial.com

Board of Directors

R. Philip Bixby

Chairman of the Board, President and Chief Executive Officer
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

William R. Blessing

Retired Senior Vice President,
Corporate Strategy and Development
Embarq
Overland Park, Kansas

Michael Braude

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

Richard L. Finn

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

Webb R. Gilmore

Attorney at Law
Chairman, Chief Executive Officer, Shareholder
Gilmore and Bell, P.C.
Kansas City, Missouri

Nancy Bixby Hudson

Investor
Lander, Wyoming

Warren J. Hunzicker, M.D.*

Retired Vice President and
Medical Director
Kansas City Life Insurance Company
Kansas City, Missouri

Daryl D. Jensen, MAAA, FLMI

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

Tracy W. Knapp

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

Cecil R. Miller, CPA

Retired Partner
KPMG LLP
Kansas City, Missouri

Bradford T. Nordholm

Chief Executive Officer
Starwood Energy Group Global LLC
Greenwich, Connecticut

William A. Schalekamp, JD, CLU, FLMI

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

E. Larry Winn Jr.

Retired Member of Congress
Kansas, Third Congressional District
Prairie Village, Kansas

* Warren J. Hunzicker, M.D., passed away on
September 13, 2007.

Senior Officers

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
Kansas City, Missouri

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, MAAA

Senior Vice President and Actuary

William A. Schalekamp, JD, CLU, FLMI

Senior Vice President, General Counsel and Secretary

Kathleen A. Hunzicker, M.D.

Vice President and Medical Director

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

W. David Phillips

Vice President, Group

Richard D. Ropp, FLMI, ACS

Vice President, Customer Services

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

Philip A. Williams, CFA

Vice President, Securities

Senior Officers – 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

Senior Officers – 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, MAAA

Vice President and Actuary

Richard D. Ropp, FLMI, ACS

Vice President, Policy Administration

James F. Aldrich, JD, CLU, CPCU, FLMI, HIA

Secretary

STOCKHOLDER INFORMATION

CORPORATE HEADQUARTERS

Kansas City Life Insurance
Company
3520 Broadway
Post Office Box 219139
Kansas City, Missouri 64121-9139
Telephone: 816-753-7000
Fax: 816-753-4902
Internet: www.kclife.com
E-mail: kclife@kclife.com

NOTICE OF ANNUAL MEETING

The annual meeting of stockholders will be held at 9 a.m. on Thursday, April 24, 2008, at Kansas City Life's corporate headquarters.

TRANSFER AGENT

Cheryl Keefer, Assistant Secretary
Kansas City Life Insurance
Company
Post Office Box 219139
Kansas City, Missouri 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, 2008, 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.

	Bid		Dividend
	High	Low	Paid
2007:			
First quarter	\$ 52.28	\$ 44.35	\$ 2.27
Second quarter	47.95	44.61	0.27
Third quarter	50.79	38.18	0.27
Fourth quarter	50.48	40.00	0.27
			\$ 3.08
2006:			
First quarter	\$ 53.04	\$ 48.75	\$ 0.27
Second quarter	51.27	41.57	0.27
Third quarter	46.08	41.82	0.27
Fourth quarter	58.97	44.36	0.27
			\$ 1.08

A quarterly dividend of \$0.27 per share was paid February 12, 2008.

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.



