



KANSAS CITY LIFE

Kansas City Life Insurance Company  
Home Office: Kansas City, MO

3520 Broadway  
Kansas City, MO 64111  
816-753-7000  
[www.kclife.com](http://www.kclife.com)



KANSAS CITY LIFE

*Life is better here.*



## MESSAGE FROM THE PRESIDENT

My fellow shareholders,

I am pleased to share the Company's 2013 results. The year was marked by solid earnings, new sales growth, new product introduction and product enhancements. We also increased our assets with the acquisition of a block of business from American Family Life Insurance Company.

During 2013, companies in the insurance and financial services industry continued to struggle with sustained economic pressures marked by the low interest rate environment. Despite these challenges, Kansas City Life Insurance Company continued to operate from a position of stability, backed by sound business practices and financial strength.

Net earnings totaled \$29.6 million in 2013, reflecting strong growth in insurance revenues. New sales increased on the Company's traditional business and contract charges improved as a result of the reinsurance transaction. Total assets at year-end were \$4.5 billion, and stockholders' equity remained strong at \$725 million.

Our Company acquired variable life and variable annuity business from American Family Life Insurance Company through a reinsurance transaction in the second quarter. The acquisition instantly added approximately \$3.4 billion of life insurance in force and \$58.5 million in policy loan and deferred acquisition cost assets. The acquisition will also generate additional annual renewal deposits and insurance revenues for years to come. We believe this acquisition is an example of how well the Company is positioned for future acquisitions and similar growth opportunities.

On the sales and marketing front, the Company remains committed to provide top-tier products and quality services to our customers and our general agents and agents. We continue to invest in our product portfolio to ensure our products remain affordable, long-term options for customers.

A highlight for the year was the introduction of our first equity indexed universal life product, which offered an important new option for customers.

Enhancements to the traditional life insurance product portfolio at Old American Insurance Company were also made to ensure the senior market products remain competitive in this growing market segment.

During the year, Kansas City Life also emphasized the benefits of annuitization for customers by providing guaranteed lifetime income. This feature has become more important as retirees seek guaranteed income during their retirement years.

Finally, the Company is acutely aware of the value of the relationships we share with our shareholders, our policyholders, and our general agents and agents. We are proud of the relationships we have forged and remain committed to fostering them for mutual, long-term success. It is these relationships that drive our commitment to provide Security Assured every day.

This is our promise and our commitment. After all, it is what you expect from a Company with more than 118 years of success.



— **R. Philip Bixby**

*President, Chief Executive Officer and  
Chairman of the Board*

# STOCKHOLDER INFORMATION

## CORPORATE HEADQUARTERS

Kansas City Life Insurance Company  
3520 Broadway  
Post Office Box 219139  
Kansas City, MO 64121-9139  
Telephone: 816-753-7000  
Fax: 816-753-4902  
Internet: <http://www.kclife.com>  
Email: [kclife@kclife.com](mailto:kclife@kclife.com)

## NOTICE OF ANNUAL MEETING

The annual meeting of stockholders will be held at 9 a.m. on Thursday, April 24, 2014, at Kansas City Life Insurance Company's corporate headquarters.

## TRANSFER AGENT

Janice Poe, Stock Agent and Assistant 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, 2014, Kansas City Life had approximately 2,745 security holders, including individual participants in security position listings.

**Please refer to the Company's Form 10-K and Proxy Statement as filed with the Securities and Exchange Commission (SEC).**

# STOCK & DIVIDEND INFORMATION

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 and paid during such periods. The Company's common stock is traded on the NASDAQ Capital Market under the symbol "KCLI."

	High	Low	Dividend Paid
2013:			
First quarter	\$ 39.93	\$ 36.35	\$ 0.27
Second quarter	39.06	34.01	0.27
Third quarter	45.31	38.10	0.27
Fourth quarter	49.95	43.15	0.27
			<u>\$ 1.08</u>
2012:			
First quarter	\$ 34.54	\$ 31.29	\$ 0.27
Second quarter	34.94	30.82	0.27
Third quarter	34.84	34.31	0.27
Fourth quarter*	39.36	34.61	0.54
			<u>\$ 1.35</u>

\*In the fourth quarter of 2012, the Company declared and paid two dividends. The first was for \$0.27 per share, which was declared in October 2012 and paid in November 2012. The second dividend was a special dividend of \$0.27 per share, which was declared and paid in December 2012.

A quarterly dividend of \$0.27 per share was paid February 12, 2014.

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.

# BOARD OF DIRECTORS – KANSAS CITY LIFE INSURANCE COMPANY



**Kevin G. Barth**  
President and Chief Operating Officer  
Commerce Bank  
Kansas City, Mo.

**R. Philip Bixby**  
President, Chief Executive Officer and  
Chairman of the Board  
Kansas City Life Insurance Company  
Kansas City, Mo.

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

**William R. Blessing**  
Retired Senior Vice President,  
Corporate Strategy and Development  
Embarq  
Overland Park, Kan.

**Michael Braude**  
Retired President and  
Chief Executive Officer  
Kansas City Board of Trade  
Kansas City, Mo.

**James T. Carr**  
President and Chief Executive Officer  
National Association of  
Intercollegiate Athletics  
Kansas City, Mo.

**John C. Cozad**  
President  
Cozad Company, LLC  
Platte City, Mo.

**Richard L. Finn**  
Retired Senior Vice President, Finance  
Kansas City Life Insurance Company  
Kansas City, Mo.

**Nancy Bixby Hudson**  
Investor  
Lander, Wyo.

**David S. Kimmel\***  
Chief Executive Officer  
CyberRisk Partners, LLC  
Rye, N.Y.

**Tracy W. Knapp**  
Senior Vice President, Finance  
Kansas City Life Insurance Company  
Kansas City, Mo.

**Cecil R. Miller, CPA**  
Retired Partner  
KPMG, LLP  
Kansas City, Mo.

**Mark Milton, FSA, CERA, MAAA**  
Senior Vice President and Actuary  
Kansas City Life Insurance Company  
Kansas City, Mo.

**Bradford T. Nordholm\***  
Chief Executive Officer  
Starwood Energy Group Global, LLC  
Greenwich, Conn.

**William A. Schalekamp, JD, CLU, FLMI**  
Retired Senior Vice President,  
General Counsel and Secretary  
Kansas City Life Insurance Company  
Kansas City, Mo.

*\*David S. Kimmel was elected to the Board of Directors on April 18, 2013. Bradford T. Nordholm retired from the Board of Directors effective April 22, 2013.*

# THE KANSAS CITY LIFE GROUP OF COMPANIES



## **Kansas City Life Insurance Company**

Since 1895, Kansas City Life Insurance Company ([www.kclife.com](http://www.kclife.com)) has been dedicated to the present and future financial security of its customers. Kansas City Life provides financial services, including life insurance and investments\*, to consumers throughout 48 states and the District of Columbia. More than 2,500 general agents and agents serve individuals, families, small businesses and corporations with a diverse range of products including universal life, term life, whole life, variable life insurance,\* variable annuities,\* fixed deferred annuities and group products. Kansas City Life has been providing Security Assured for more than 118 years.



## **Old American Insurance Company**

Since 1939, the mission of Old American Insurance Company ([www.oaic.com](http://www.oaic.com)) has been to provide peace of mind to our 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, charitable giving life insurance, 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 47 states and the District of Columbia.



## **Sunset Financial Services Inc.\***

Sunset Financial Services ([www.sunsetfinancial.com](http://www.sunsetfinancial.com)) is a full-service broker/dealer and registered investment advisor. Sunset Financial Services' registered representatives are also licensed with Kansas City Life. Investment products offered include variable insurance products, mutual funds, stocks and bonds, money market funds, CDs and asset management products.



## **Sunset Life Insurance Company of America**

Sunset Life Insurance Company of America ([www.sunsetlife.com](http://www.sunsetlife.com)) was originally founded in 1937. 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, evaluated by A.M. Best**

**Kansas City Life Insurance Company: A (Excellent; Stable Outlook)**

**Old American Insurance Company: B++ (Good; Positive Outlook)**

**Sunset Life Insurance Company: A- (Excellent; Stable Outlook)**

These ratings represent A.M. Best's opinion of the financial strength and stability of Kansas City Life, Old American and Sunset Life Insurance Companies and each company's ability to meet ongoing obligations to policyholders, as of June 2013.

*There are 16 financial strength ratings offered by A.M. Best, ranging from A++ (Superior) to F (In Liquidation).*

**Please refer to the Company's Form 10-K and Proxy Statement as filed with the Securities and Exchange Commission (SEC).**

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

## Life is Better Here

In this day and age, you are only as strong as the promises you keep, and your word must count for something. The strength of a promise is built into the very structure of the company that makes it.

As a shareholder, customer, field force representative and associate, life is better at Kansas City Life Insurance Company.

From the moment you first come in contact with our 118-year-old Company, you will realize we highly regard the promise of life insurance and financial products.

More than just a promise, **Security Assured** is etched into the foundation that life insurance and financial products can provide. Security Assured isn't just a catchphrase; it's the personification of strength for Kansas City Life. The individuals



## KANSAS CITY LIFE

who represent our Company know when they sell a Kansas City Life policy, they are protecting their customers with the tradition and legacy of a Company whose integrity, customer service and solid financial foundation date back to the late 19th century.

Despite the low interest rate environment that has recently challenged the industry, Kansas City Life has remained true to its core business philosophies and practices of providing Security Assured. Our Company's continued emphasis on these core values – providing competitive

*Kansas City Life offers life insurance and financial solutions products tailored to serve our three distinct markets – families, small businesses and pre-retirement individuals.*



*We'll Be With You ...*



*We're Kansas City Life.*





## SENIOR OFFICERS

### **Kansas City Life Insurance Company**

#### **R. Philip Bixby**

President, Chief Executive Officer and  
Chairman of the Board

#### **Walter E. Bixby, LLIF**

Executive Vice President and Vice  
Chairman of the Board

#### **Charles R. Duffy Jr., FLMI\***

Senior Vice President, Operations

#### **Tracy W. Knapp**

Senior Vice President, Finance

#### **Donald E. Krebs,**

**MSM, CLU, ChFC, LLIF**

Senior Vice President,  
Sales and Marketing

#### **A. Craig Mason, Jr.**

Senior Vice President, General Counsel  
and Secretary

#### **Mark A. Milton, FSA, CERA, MAAA**

Senior Vice President and Actuary

#### **Ryan C. Beasley,**

**MSFS, CFP, CLU, ChFC, LLIF**

Vice President, Agencies

#### **Aaron L. Bush**

Vice President, Corporate Actuary

#### **Robert M. Fisher, CPA, CITP**

Vice President, Information Strategy

#### **David A. Laird, CPA, FLMI**

Vice President and Controller

#### **John L. Nogalski, CPA, FLMI**

Vice President, Taxes

#### **Richard D. Ropp, FLMI, ACS**

Vice President, Customer Services  
and Claims

#### **Stephen E. Ropp**

Vice President, Operations

#### **J. Todd Salash**

Vice President, Information Technology

#### **Dan L. Schick, CPA, CLU, FLMI**

Vice President and Auditor

#### **Philip A. Williams, CFA**

Vice President, Securities

### **Old American**

### **Insurance Company**

#### **R. Philip Bixby**

Chairman of the Board

#### **Walter E. Bixby, LLIF**

President

#### **Benton T. Summers**

Vice President, Sales

#### **Gary K. Hoffman, JD, CLU, FLMI**

Vice President, Associate General  
Counsel and Secretary

#### **Tracy W. Knapp**

Chief Financial Officer

#### **David A. Laird, CPA, FLMI**

Vice President and Controller

#### **Richard D. Ropp, FLMI, ACS**

Vice President, Customer Services  
and Claims

#### **Stephen E. Ropp**

Vice President, Operations

### **Sunset Life Insurance Company of America**

#### **R. Philip Bixby**

President and Chairman of the Board

#### **Walter E. Bixby, LLIF**

Vice Chairman of the Board

#### **Donald E. Krebs,**

**MSM, CLU, ChFC, LLIF**

Vice President, Sales and Marketing

#### **David A. Laird, CPA, FLMI**

Vice President and Controller

#### **Mark A. Milton, FSA, CERA, MAAA**

Vice President and Actuary

#### **Richard D. Ropp, FLMI, ACS**

Vice President, Policy Administration

#### **Matthew R. O'Connor**

Secretary

*\*Charles R. Duffy, Jr. retired from the Company in August 2013.*

Kansas City Life  
Insurance Company

Old American Insurance Company

Sunset Financial Services Inc.

Sunset Life Insurance  
Company of America

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

Visit us on the Internet:  
[www.kclife.com](http://www.kclife.com)  
[www.oaic.com](http://www.oaic.com)  
[www.sunsetfinancial.com](http://www.sunsetfinancial.com)  
[www.sunsetlife.com](http://www.sunsetlife.com)

products, superior customer service, financial strength, specialized training and exceptional sales and marketing support – coupled with a dedicated resourcefulness – allowed for success during 2013.

### **We'll Be With You ... We're Kansas City Life**

Kansas City Life remains dedicated to our shareholders, our policyholders, our field force and our associates. Throughout the ever-changing economic climate of the industry and the current events of the world, Kansas City Life has not altered that promise. Since 1895, we have assisted policyholders through world wars, the Great Depression and various periods of recession and inflation.

Throughout the years, our Company has grown, technology has enhanced our business practices, and changing economic conditions have allowed our products to evolve and meet the different needs of consumers and businesses. Kansas City Life continues to position itself to meet the needs of its shareholders, customers, field force and associates now and in the years to come.

### **Life's Financial Seasons**

Kansas City Life is dedicated to the markets we support and keeping a promise of financial security is not something we take lightly.

When a small business owner purchases a life insurance policy for a key employee, a promise is made signifying the willingness and determination for the success of their business. In addition to meeting the most intrinsic needs of food, clothing and shelter, the need for financial security is promised when insurance is purchased for the breadwinner and caregiver of a family. And when pre-retirement individuals purchase financial solutions for their sustained retirement, a promise is made to ensure an income stream during the remainder of their lifetimes.

From a young family purchasing life insurance for the first time to a pre-retirement-aged couple planning ahead for their golden years and to business partners ensuring that their small venture will be around for years to come, Kansas City Life is there every step of the way.

Kansas City Life understands the needs of our policyholders. These primary customers – families, small businesses and pre-retirement individuals – are the three main markets Kansas City Life supports. With a complete product portfolio and financial services, each need is met no matter what stage or season in life a customer is entering.

### **For you ... For yours ... Forever**

Our essential relationships with our shareholders, our policyholders, our field force and our associates build upon our solid foundation and separate us from all others in the industry. We are proud of our superior customer service, sales and marketing support, and our financial strength. When you look at Kansas City Life, you are truly discovering a family. And when you feel a part of a family, your efforts and hard work become an investment, as opposed to a job. Our Home Office associates are committed to putting in the extra effort.

After all, our agents and their customers are the most important part of our family. And that's who we are in business to support.

Kansas City Life has held true to the tradition and promise of honesty, integrity and sound business practices upon which our Company was founded in 1895. Kansas City Life is proud of the heritage that has been passed down for four generations. Like our well-known Home Office building, our Company is built on the promise of strength and stability. Life is truly better here.

*For you ... For yours ... Forever*



# OLD AMERICAN INSURANCE COMPANY

The need for final expense products among the senior market continues to increase as the country's population ages. With the final expense industry's strong demand, Old American Insurance Company once again had another successful year as we carried out our mission to provide peace of mind to our market.

Our Company's Peace of Mind mission is represented by a symbolic eagle. Prominently displayed in Old American's logo, the eagle stands for reliability, protection and security.

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 to know that money will be available for ongoing expenses.

During 2013, Old American focused on improving territory penetration, recruiting and agent productivity for our general agencies in order to effectively meet the sales objectives of our Company.

Old American continues to focus on the recruitment and development of new agencies and agents, along with generating improved production from existing agencies and agents. In addition, this segment aggressively manages territories to improve recruiting and production of new sales.

A family-oriented company with a long history, Old American is licensed in 47 states and the District of Columbia. Founded in 1939, our Company celebrated its 74th year of business in 2013, including more than 20 with 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 our successful nationwide general agency system with exclusive territories. Old American is focused on our core foundation for even further momentum to fuel profitable growth for our field force and our Company.

## Reliability, Protection and Security

Reliability, protection and security. These three words have adorned the circular logo of Old American Insurance Company since our beginning days and represent a promise to our policyholders – a promise to provide peace of mind to our market.

When Old American was founded in 1939, our Company's philosophy was that nobody should be considered uninsurable simply on the basis of age. That philosophy still resonates with our mission of providing peace of mind to our market. Old American's products and services provide for financial needs following a death, but they also fulfill emotional needs as well.

**Reliability** on a company in business for 74 years; the comfort that comes from the **Protection** of insuring your loved ones; and last but not least, the **Security** that comes from knowing money will be available for final expenses as well as necessary living expenses.

These three words will continue to represent our mission and our guiding philosophy to provide peace of mind to the senior market now and in the future.

OLD AMERICAN



INSURANCE COMPANY

*Reliability, Protection and Security*



# CORPORATE HIGHLIGHTS

Throughout the course of 2013, Kansas City Life Insurance Company continued to provide policyholders with the same quality and services they have come to expect from a Company dedicated to providing Security Assured for more than 118 years.

The promise of Security Assured is a tradition for Kansas City Life, and the goal of this mission is to safeguard individuals, families and businesses against the unpredictable elements of life. We are committed to providing financial security to policyholders for generations to come. Kansas City Life will always uphold its promise to provide premium services and continue its tradition of bringing value to its shareholders.

It is Kansas City Life's commitment to sound business practices, integrity and financial strength that has made our Company into what it is today. These notions are the cornerstone of our business philosophy as we seek to maintain consistent, long-term profitable growth.

Kansas City Life enjoyed a strong sales year in 2013, with increased life insurance sales while the industry experienced flat life insurance sales. With some strategic organizational changes during the year, our Company is positioned to expand upon this success during 2014.

## Individual Insurance

Kansas City Life's Individual Insurance segment provides financial security to consumers in 48 states. Life insurance products are distributed through two channels: the Company's field force and through alliances with third-party marketing arrangements. The Individual Insurance segment consists of individual insurance products for both Kansas City Life and Sunset Life.

## Company's field force

The Company's field force is represented by independent agencies, which are operated by general agents and agents across the U.S. and in certain locations in Europe. Kansas City Life provides each agency with an ever-growing product portfolio and marketing support necessary to succeed in servicing consumers in their local markets.

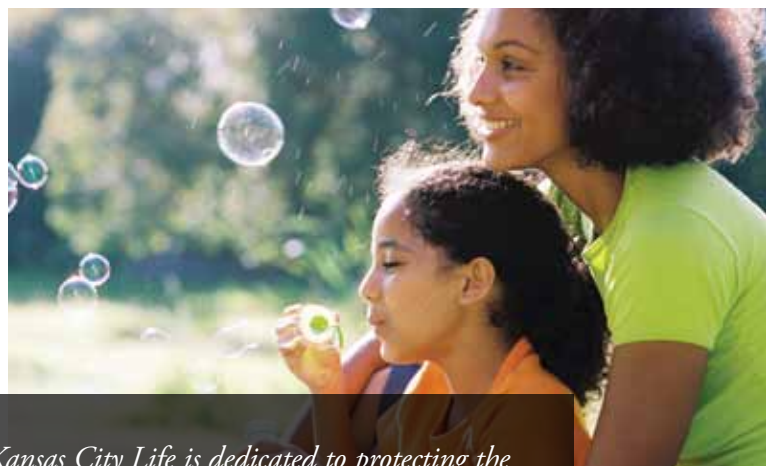
The Company's expanding product portfolio and individual one-on-one support from the Home Office are attractive recruiting resources, setting Kansas City Life apart from many in the industry.

## Third-party alliances

Independent alliances with American Republic Insurance Company, GuideOne Mutual Insurance Company and AmeriLife Group LLC allow representatives from all three companies to distribute Kansas City Life's products. These agreements provide representatives with the complementary products and services they need to offer complete financial security to their clients.

## Life insurance sales

Life insurance sales and new business production at Kansas City Life are measured by new



*Kansas City Life is dedicated to protecting the promise of a financial future with the purchase of life insurance and financial solutions.*

premiums recorded and new deposits received. Premiums include receipts from traditional individual life insurance and immediate annuity products. Deposits are received from universal life insurance, variable universal life insurance and fixed deferred and variable annuity products.

The Individual Insurance segment generated approximately 58% of consolidated insurance revenues for the year ended December 31, 2013, compared to 49% for the year ended December 31, 2012.

Total new deposits decreased from the prior year by \$2.9 million or 3% in 2013, compared to a \$2.6 million or 3% decrease in 2012. The decline in 2013 resulted from a \$10.7 million decrease in new fixed annuity deposits. Total renewal deposits increased \$14.6 million or 10% in 2013, following a \$3.6 million or 2% decline in 2012. The reinsurance transaction with American Family increased renewal deposits \$20.0 million in 2013. Excluding this transaction, renewal deposits decreased \$5.4 million or 4%.

#### Future growth

The Individual Insurance segment is an essential part of Kansas City Life's core business, representing a majority of the Company's revenue and net income. The Company plans to continue to grow the segment by recruiting talented general agents and agents and by adding more third-party alliances. Enhancements to the vast product portfolio, increased focus on sales development and superior marketing support are elements that will be emphasized to attract new field representatives.

#### Group Insurance

Kansas City Life Insurance Company offers several insurance products in the Group Insurance segment, including dental, life, vision, and short- and long-term disability. These offerings encompass both traditional, employer-funded group insurance, as well as voluntary, employee-paid products.

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

The Group Insurance segment generated 18% of the Company's consolidated insurance revenues in 2013, compared to 21% in 2012. Total Group premiums increased \$4.4 million or 7% in 2013, following a \$0.8 million or 1% increase in 2012. Moving forward, the Group Insurance segment continues to focus on three primary areas of emphasis to improve sales:

1. Growing in-force business through the Company's sales representatives and select third-party marketing arrangements.
2. Improving administrative efficiency through greater use of customer-facing technology, designed to reduce expenses and improve customer service.
3. Enhancing the segment's product portfolio, through delivery of new product offerings and more flexible options to meet the dynamic needs of the employee benefits market.

#### 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 alliance, Sunset Financial Services (SFS) provides registered representatives the flexibility to market a full range of fixed and variable products through a single relationship.

SFS will continue working with Kansas City Life to help recruit and retain quality agencies and producers.

# *Life's Financial Seasons*

