

**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Kansas City Life Insurance Company for the period ended
December 31, 2014

ORDER

After full consideration and review of the report of the financial examination of Kansas City Life Insurance Company for the period ended December 31, 2014, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, management and control, territory and plan of operation, reinsurance, growth of company, financial statements, financial statement changes resulting from the examination, comments on financial statement items, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Kansas City Life Insurance Company as of December 31, 2014 be and is hereby ADOPTED as filed and for Kansas City Life Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 2nd day of June 2016.



John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

**REPORT OF THE
FINANCIAL EXAMINATION OF
KANSAS CITY LIFE
INSURANCE COMPANY**

**AS OF
DECEMBER 31, 2014**

FILED

JUN 13 2016

**DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION**



**STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI**

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Kansas City, Missouri
March 24, 2016

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial Institutions
and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Huff:

In accordance with your financial examination warrant, an examination has been made of the records, affairs and financial condition of

Kansas City Life Insurance Company

hereinafter referred to as such, as Kansas City Life, or as the Company. Its administrative office is located at 3520 Broadway, Kansas City, Missouri 64111, telephone number (816) 753-7000. This examination began on June 24, 2015 and was completed on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) performed our multi-state examination of Kansas City Life. The last examination covered the period of January 1, 2006 through December 31, 2009. This examination covers the period of January 1, 2010 through December 31, 2014.

This examination was performed concurrently with the examination of the Company's subsidiaries, Old American Insurance Company (Old American) and Sunset Life Insurance Company of America (Sunset Life), collectively referred to as the Kansas City Life Insurance Companies or the Companies.

Procedures

This examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook), except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An

examination also includes identifying and evaluating significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of this examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of facts and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

Reliance Upon Others

The examination relied upon information provided by the Company and its management. Where deemed appropriate, this information has been tested or verified with external sources. The examination also relied upon information supplied by the Company's independent auditor, KPMG, LLP of Kansas City, Missouri for its audit covering the period from January 1, 2014 through December 31, 2014.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues or material changes to the financial statements noted during the examination.

SUBSEQUENT EVENTS

On December 15, 2015, shareholders of Kansas City Life Insurance Company voted to approve a reverse/forward stock split transaction. The transaction did not result in a change in control but reduced the number of holders of record for the Company's stock, and permitted the Company to terminate its registration under the Securities Exchange Act of 1934 and suspend its periodic reporting requirements with the Securities and Exchange Commission. The reverse stock split was effective at 6:00 p.m. Central Time on December 16, 2015, and the forward stock split was effective at 6:01 p.m. Central Time on December 16, 2015. Kansas City Life is no longer traded on the NASDAQ exchange and now trades on OTCQX U.S. Premier, which is operated by OTC Markets Group, a centralized electronic quotation service for over-the-counter securities.

COMPANY HISTORY

General

The Company was originally incorporated under the assessment laws of Missouri on May 1, 1895, and commenced business in June 1895 as Bankers Life Association. In June 1899, the Company was reincorporated as a stipulated premium company and changed its name to Kansas City Life Insurance Company on June 13, 1903. The Company currently operates as a stock life insurance company, in accordance with the provisions of Chapter 376, Revised Statutes of Missouri (RSMo) (Life, Health and Accident Insurance). The early history of Kansas City Life is described in previous examination reports on file with the DIFP.

Dividends

Cash dividends declared and paid to shareholders during the period under examination were as follows: 2010 - \$12,400,699, 2011 - \$12,341,501, 2012 - \$15,054,033, 2013 - \$11,889,825 and 2014 - \$11,808,513.

Capital Contribution

The Company did not receive any capital contributions during the period under examination.

Mergers and Acquisitions

The Company was not the subject of an acquisition or merger during the period under examination. However, in 2014, the Company completed a divestiture of certain non-proprietary agent relationships related to its wholly-owned subsidiary financial services company, Sunset Financial Services, Inc., (SFS) with Securities America, Inc. (SAI). Under this agreement, SFS transferred the servicing of certain accounts primarily related to non-proprietary broker-dealer and registered investment advisory accounts to SAI. SFS will continue as a wholly-owned wholesale broker-dealer subsidiary of Kansas City Life to provide support for Kansas City Life's proprietary products and associated variable products. In addition, the Company entered into a marketing arrangement with SAI, which allows SAI's representatives to sell the Company's various traditional, interest sensitive and variable life and annuity products.

MANAGEMENT AND CONTROL

Board of Directors

Oversight of the Company is vested in a Board of Directors elected by the Shareholders. Pursuant to the Company's Articles of Incorporation, fifteen Directors shall be elected to the Board of Directors. The number of Directors serving as of December 31, 2014 was only fourteen. This issue was discussed with the Company management and included in other communication provided to the Company. The Directors elected and serving as of December 31, 2014, were as follows:

| <u>Name</u> | <u>Address</u> | <u>Principal Occupation and Business Affiliation</u> |
|-----------------------|----------------------------|---|
| R. Phillip Bixby | Kansas City, Missouri | Chairman of the Board, President & CEO Kansas City Life |
| Walter E. Bixby | Kansas City, Missouri | Executive Vice President and Vice Chairman, Kansas City Life |
| William R. Blessing | Leawood, Kansas | Retired Senior Vice President, Embark |
| Richard L. Finn | Kansas City, Missouri | Retired Senior Vice President, Kansas City Life |
| Nancy Bixby Hudson | Lander, Wyoming | Director, Sunset Life and Old American |
| James T. Carr | Fairway, Kansas | President & CEO, NAIA |
| Tracy W. Knapp | Overland Park, Kansas | Senior Vice President, Finance, Kansas City Life |
| Cecil R. Miller | Overland Park, Kansas | Partner (Retired), KPMG, LLP |
| David S. Kimmel | Rye, New York | Managing Partner, Cyber Risk Partners, LLC |
| William A. Schalekamp | Mission Hills, Kansas | Retired Senior Vice President, General Counsel & Secretary, Kansas City Life |
| Michael Braude | Shawnee Mission, Kansas | Former President and CEO of the Kansas City Board of Trade |
| Kevin G. Barth | Leawood, Kansas | Executive Vice President, Commerce Bancshares, Inc. |
| John C. Cozad | Platte City, Missouri | President, Cozad Company, LLC |
| Mark A. Milton | Kansas City, Missouri | Senior Vice President, Actuary, Kansas City Life |

Committees

The Company's Bylaws authorize an Executive Committee, Nominating Committee, Audit Committee, and any other committee that may be needed. Each committee must consist of two or more directors. The established committees and the members elected and serving as of December 31, 2014, were as follows:

Executive Committee

R. Philip Bixby, Chairman
Richard L. Finn
Walter E. Bixby
Tracy W. Knapp
William A. Schalekamp
William R. Blessing

Personnel Committee

R. Philip Bixby, Chairman
Walter E. Bixby
Stephen E. Ropp
Tracy W. Knapp
Donald E. Krebs
Mark A. Milton

Audit Committee

Cecil R. Miller, Chairman
Richard L. Finn
David S. Kimmel

Compensation Committee

Michael Braude, Chairman
William R. Blessing
Kevin G. Barth

Investment Committee

R. Philip Bixby, Chairman
Walter E. Bixby
Stephen E. Ropp
Tracy W. Knapp
Donald E. Krebs
Mark A. Milton
A. Craig Mason, Jr.

Nominating Committee

R. Philip Bixby, Chairman
Walter E. Bixby
Michael Braude

Officers

The officers elected and serving as of December 31, 2014 were as follows:

| | |
|---------------------|---|
| R. Philip Bixby | Chairman of the Board, President & CEO |
| Walter E. Bixby | Executive Vice President, Vice Chairman of the Board & President of Old American Insurance Company |
| Stephen E. Ropp | Senior Vice President – Operations |
| Tracy W. Knapp | Senior Vice President – Finance |
| Donald E. Krebs | Senior Vice President – Sales and Marketing |
| A. Craig Mason, Jr. | Senior Vice President, General Counsel & Secretary |
| Mark A. Milton | Senior Vice President and Actuary |
| David A. Laird | Vice President and Controller |

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed for the period under examination. The Articles of Incorporation and Bylaws were not amended during the examination period. On December 15, 2015, the Articles of Incorporation were amended in connection with the reverse stock split and the forward stock split discussed in the Subsequent Events section of this Report.

The minutes of the Board of Directors' meetings, committee meetings, and stockholder's meetings were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

Holding Company, Subsidiaries and Affiliates

Kansas City Life Insurance Company is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by Kansas City Life on behalf of itself and its subsidiaries for each year of the examination period. On October 31, 2004, Mr. Lee M. Vogel, an individual, became and currently still is the ultimate controlling person of Kansas City Life.

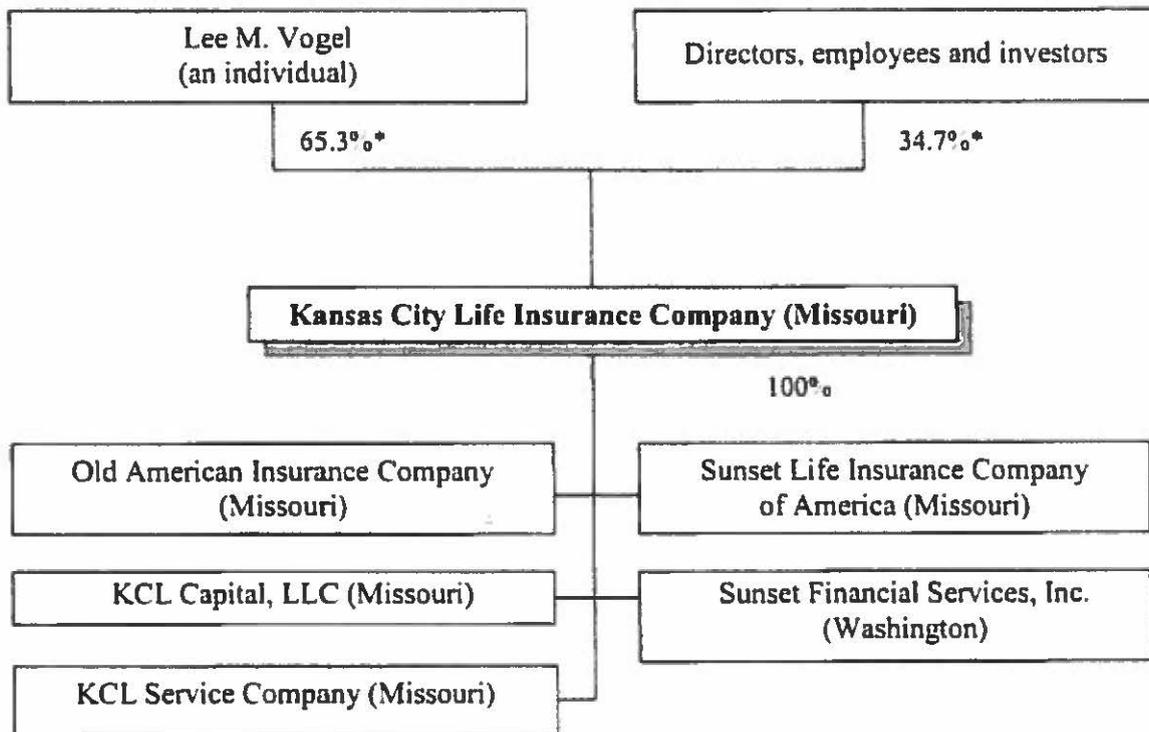
Kansas City Life owns two insurance subsidiaries, Old American Insurance Company and Sunset Life Insurance Company of America. Both companies are life and health insurers,

organized as Missouri corporations. Kansas City Life also wholly owns three other non-insurance subsidiaries. Sunset Financial Services, Inc., a Washington corporation, markets all of Kansas City Life’s variable products and performs investment services for policyholders. The other two subsidiaries are currently inactive or do not have any significant operations.

As of December 31, 2014, shares in Kansas City Life were publicly traded on the NASDAQ stock exchange. On December 16, 2015, Kansas City Life amended its Articles of Incorporation creating reverse forward stock split transactions allowing for a delisting of its shares from the NASDAQ exchange as of January 4, 2016. The Company’s shares are now publicly traded on OTCQX, an “Over the Counter” exchange. The transactions leading to the stock delisting are further detailed in the Subsequent Events section of this Report.

Organizational Chart

The following organizational chart depicts Kansas City Life’s ownership and holding company structure as of December 31, 2014:



*Due to the Company’s reverse and forward stock splits on December 16, 2015, the ownership percentages have subsequently changed to 73.1% for Mr. Vogel and 26.9% for Directors, employees and investors.

Intercompany Agreements

The Company is a party to the intercompany agreements outlined below.

- 1. Type:** Tax Allocation Agreement
Parties: Kansas City Life, Old American, Sunset Life and the wholly owned non-life insurance companies.
Effective: December 31, 2008
Terms: A consolidated federal income tax return is filed each year. The portion of the consolidated tax liability that is allocated to each company is based upon the subsidiary's tax liability on a stand-alone basis.
- 2. Type:** Cost Sharing Agreement
Parties: Kansas City Life and Old American
Effective: October 1, 2008
Terms: Each party is to pay the cost of any services identified as being incurred for the sole benefit of that party. Services to be shared shall include, but are not limited to: financial, including cash management and investments, executive officer services, actuarial, billing, collection, payment of premium fees and other amounts, accounting including preparation of financial statements and other accounting documents and reports, information system, administrative services, claims, customer service, legal services and regulatory and compliance services.
- 3. Type:** Intercompany Affiliate Service Agreement
Parties: Kansas City Life and Sunset Life
Effective: August 1, 2009
Terms: The agreement is effective for five years unless otherwise terminated upon 30 days' notice by either party prior to the expiration. Services to be performed include, but are not limited to: accounting, tax, auditing, underwriting, claims, investments, and functional support services. Each party agrees to reimburse the other for services and facilities provided under this agreement.
- 4. Type:** Cost Sharing Agreement
Parties: Kansas City Life and Sunset Financial Services, Inc.
Effective: January 1, 2011
Terms: Each party is to pay the cost of any services identified as being incurred for the sole benefit of that party. Kansas City Life agrees that SFS will be under no obligation to pay any amount invoiced to the extent that the amount would cause the brokerage to incur a loss, increase a loss, or create a liability in excess of the amount the brokerage would be able to pay. Any amount that SFS would be unable to pay would be deemed relieved. Services to be shared shall include but not be limited to: financial including cash management and investments, executive officer services, actuarial, billing, collection, payment of premium fees and other amounts, accounting including preparation of financial statements and other accounting documents and reports, information system, administrative services, claims, customer service, legal services and regulatory and compliance services.

- 5. Type:** Distribution Agreement
Parties: Kansas City Life and SFS
Effective: December 28, 2004
Terms: SFS is the exclusive agent for the distribution and underwriting of Kansas City Life's variable annuity and variable universal life products. SFS shall use its best efforts to market and sell the products directly or through licensed brokers and agents. Commissions are to be paid by Kansas City Life to the agents and brokers.
- 6. Type:** Loan Guaranty
Parties: Kansas City Life and Old American
Effective: May 31, 2009
Terms: Kansas City Life has guaranteed the indebtedness of Old American on borrowings under a Commerce Bank \$20,000,000 Line of Credit.
- 7. Type:** Loan Guaranty
Parties: Kansas City Life and Sunset Life
Effective: August 4, 1999
Terms: Kansas City Life has guaranteed the indebtedness of Sunset Life on borrowings under a UMB Bank \$20,000,000 Line of Credit.
- 8. Type:** Guaranty
Parties: Kansas City Life and Old American
Effective: Various dates
Terms: Kansas City Life has guaranteed to several states that the capital and surplus of Old American will not fall below the stated minimum.
- 9. Type:** Guaranty
Parties: Kansas City Life and Sunset Life
Effective: Various dates
Terms: Kansas City Life has guaranteed to several states that the capital and surplus of Sunset Life will not fall below the stated minimum.
- 10. Type:** Inter-Company Retained Asset Program for Benefit Payments
Parties: Kansas City Life, Old American, and Sunset Life
Effective: January 1, 2006
Terms: Certain benefit payments for all parties will be paid through a Kansas City Life corporate account maintained with State Street Bank and BISYS (State Street). Through Kansas City Life's contract with State Street, retained asset checking accounts are established for beneficiaries of death claims and cash surrenders in excess of \$10,000 for each of the parties to this agreement. Accounts are identified for each company based on branch codes built into the beneficiary's checking account number. When beneficiaries submit checks for payment they are paid from the State Street account. The amounts paid out to the beneficiaries are tracked through the account numbers and shown on each individual

company's account as each company funds the account for their respective disbursement liabilities. In addition, bank service fees will be paid by each party based on their proportional share of the fees. Fees identified by the respective branch code of the account as being incurred by one party will be paid by that party.

- 11. Type:** Third Party Enabling Agreement
Parties: Kansas City Life and KCL Service Company
Effective: January 1, 2009
Terms: KCL Service Company will serve as an insurance agency for the offering of certain insurance products marketed by unaffiliated insurance companies to Kansas City Life insurance agents. Such insurance products would include disability and long term care insurance that Kansas City Life does not underwrite and market. Kansas City Life shall supply the necessary personnel to provide all administrative and operational services necessary to permit KCL Service Company to provide services under the agreement. KCL Service Company shall not realize a profit for services provided and shall pay Kansas City Life for the costs of its services provided under the agreement.

TERRITORY AND PLAN OF OPERATION

Kansas City Life Insurance Company is licensed by the Missouri Department of Insurance, Financial Institutions and Professional Registration under Chapter 376 RSMo (Life, Health and Accident Insurance) to provide the following kinds of insurance: life, accident and health (A&H), and variable contracts. Kansas City Life operates in 48 states and the District of Columbia.

Kansas City Life markets individual life insurance and annuity products, including traditional and interest sensitive products, through a nationwide sales force of independent general agents, agents, and third-party marketing arrangements. Kansas City Life also markets group insurance products, which include life, dental, vision and disability products through a nationwide sales force of independent general agents, group brokers and third-party marketing arrangements. The variable life and variable annuity contracts are offered through its separate accounts operation.

During much of the period under examination, the Company offered investments and broker dealer services through its subsidiary, Sunset Financial Services, Inc. for both proprietary and non-proprietary variable insurance products, mutual funds and other securities. However, during 2014, the Company completed a divestiture of the non-proprietary agency relationships pursuant to a sale agreement with Securities America, Inc. as noted in greater details in the Mergers and Acquisitions section of this Report.

The Company's primary emphasis is on the growth of individual life insurance business, including new premiums for individual life products and new deposits for universal life and variable universal life products. Sales of the Company's products, individual and group, are primarily made through the Company's existing sales force of agents and general agents. The

Company believes that increased sales will result through both the number and productivity of agents and general agents. The Company selectively utilizes third-party marketing arrangements to enhance its sales objectives.

REINSURANCE

General

The Company's premium activity, in thousands, on a direct, assumed and ceded basis for the period under examination is detailed below:

| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Direct Business | \$312,232 | \$343,087 | \$309,714 | \$296,232 | \$321,316 |
| Reinsurance Assumed: | | | | | |
| Affiliates | 424 | 405 | 382 | 382 | 395 |
| Non-affiliates | 35,807 | 31,185 | 11,558 | 11,972 | 12,744 |
| Reinsurance Ceded: | | | | | |
| Affiliates | 0 | 0 | 0 | 0 | 0 |
| Non-affiliates | (45,042) | (45,291) | (44,609) | (42,891) | (39,681) |
| Net Premiums | <u>\$303,421</u> | <u>\$329,386</u> | <u>\$277,045</u> | <u>\$265,695</u> | <u>\$294,774</u> |

Assumed

The majority of the Company's assumed business originates from two insurers, American Family Life Insurance Company (AFLIC) and Security Benefit Life Insurance Company (SBL). Out of Kansas City Life's assumed in-force at year-end 2014, 73.9% is from AFLIC and 24.6% is from SBL. Kansas City Life also reinsures smaller amounts of business from Sunset Life Insurance Company of America, Lower Life Insurance Company, Lincoln National Life Insurance Company, and Security Life of Denver.

Effective April 1, 1997, the Company entered into a coinsurance and servicing agreement with SBL. Kansas City Life assumed 100% of SBL's traditional individual life and non-variable universal life business and all new business produced for this block. Kansas City Life performs policy administration functions related to this block of business including underwriting and claims processing. Kansas City Life funds a trust account for the benefit of SBL, in accordance with the terms of the reinsurance agreement and trust agreement.

Effective April 1, 2013, the Company entered into a 100% coinsurance agreement with AFLIC whereby Kansas City Life agreed to assume AFLIC's block of variable universal life and annuity business. KCL assumed 100% of separate account liabilities on a modified coinsurance basis and 100% of general account liabilities on a coinsurance basis. AFLIC discontinued the sale of variable products in 2009, but continued to service the variable policies and variable annuities

until 2014 when administration of the policies and contracts was transitioned to Kansas City Life.

Ceded

The Company is contingently liable for all reinsurance losses ceded or retroceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

Out of Kansas City Life's year-end 2014 ceded in-force, 10% or more were ceded to each of three reinsurers: 38.5% to Transamerica Life Insurance Company ("Transamerica"), 15.2% to Security Life Insurance Company of Denver ("Security Life"), and 15.3% to RGA Reinsurance Company (RGA).

Kansas City Life uses reinsurance primarily to reinsure mortality risks in excess of the Company's maximum retention for individual life insurance products. Effective January 1, 2012, the retention was increased from \$350,000 to \$500,000 for new life issues.

Level term individual life products are coinsured on an 80% and 90% quota-share basis with multiple reinsurers. Accidental death benefits are 100% coinsured. Historically, mortality risks exceeding the Company's retention have been ceded to a reinsurance pool. In 2001, new universal life plans were reinsured on a quota share Yearly Renewable Term (YRT) basis whereby the Company ceded up to 80% of the mortality risk. During 2009 and 2010, new universal life plans were ceded on YRT basis for amounts exceeding the Company's retention.

In 1994, Kansas City Life introduced a series of competitive level term products. The products were coinsured on a quota share basis whereby the Company cedes 80% of the business. The purpose of the coinsurance arrangement was to reduce the capital impact of the reserves associated with the plans. From 2000 to 2009, the level term plans were ceded on a 90% quota share basis to a variety of reinsurance pools consisting of multiple reinsurers.

Group reinsurance is purchased for group life mortality risks in excess of the maximum \$100,000 per individual retention. Group accidental death benefits are 100% reinsured. Group disability lines are coinsured on a quota share basis of 80% for long-term risks and 20% for short-term risks.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the DIFP and present the financial condition of Kansas City Life Insurance Company for the period ending December 31, 2014. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Assets

| | <u>Assets</u> | <u>Non-Admitted Assets</u> | <u>Net Admitted Assets</u> |
|---|-------------------------------|----------------------------|-------------------------------|
| Bonds | \$ 2,087,406,941 | \$ 0 | \$2,087,406,941 |
| Preferred Stocks | 32,761,656 | 0 | 32,761,656 |
| Common Stocks | 62,746,866 | 98,414 | 62,648,452 |
| Mortgage Loans on Real Estate | 450,204,422 | 0 | 450,204,422 |
| Real Estate: | | | |
| Property Occupied by Company | 1,357,193 | 0 | 1,357,193 |
| Properties held for the Production of Income | 137,283,021 | 1,694,842 | 135,588,179 |
| Cash, Cash Equivalents and Short-term Investments | 28,748,150 | 0 | 28,748,150 |
| Contract Loans | 64,899,203 | 218,785 | 64,680,418 |
| Other Invested Assets | 35,206,766 | 2,385,543 | 32,821,223 |
| Receivable for Securities | 396,628 | 0 | 396,628 |
| Investment Income Due and Accrued | 27,590,816 | 89,655 | 27,501,161 |
| Premiums and Considerations: | | | |
| Uncollected Premiums and Agents' Balances in Course of Collection | 1,361,897 | 1,121,944 | 239,953 |
| Deferred Premiums and Agents' Balances | 7,937,283 | 0 | 7,937,283 |
| Reinsurance: | | | |
| Amounts Recoverable from Reinsurers | 1,027,180 | 0 | 1,027,180 |
| Other Amounts Receivable Under Reinsurance | 5,759 | 0 | 5,759 |
| Current Federal Income Tax Recoverable | 2,705,816 | | 2,705,816 |
| Net Deferred Tax Assets | 68,993,276 | 35,506,086 | 33,487,190 |
| Guaranty Funds Receivable or on Deposit | 836,530 | 0 | 836,530 |
| Electronic Data Processing Equipment | 389,768 | 0 | 389,768 |
| Furniture and Equipment | 515,179 | 515,179 | 0 |
| Receivable from Subsidiaries and Affiliates | 604,514 | 0 | 604,514 |
| Aggregate Write-ins for Other Assets: | | | |
| Aircraft | 14,307,260 | 14,307,260 | 0 |
| Miscellaneous Assets | 3,985,870 | 3,057,314 | 928,556 |
| Deferred Compensation | 23,362,148 | 0 | 23,362,148 |
| Assets from Separate Account Statement | 406,500,875 | 0 | 406,500,875 |
| TOTAL ASSETS | <u>\$3,461,135,017</u> | <u>\$58,995,022</u> | <u>\$3,402,139,995</u> |

Liabilities, Surplus and Other Funds

| | |
|--|-------------------------|
| Aggregate Reserve for Life Contracts | \$ 2,327,446,155 |
| Aggregate Reserve for Accident and Health Contracts | 4,178,342 |
| Liability for Deposit-type Contract | 125,213,513 |
| Contract Claims: Life | 16,346,345 |
| Contract Claims: Accident and Health | 3,249,011 |
| Policyholders' Dividends and Coupons Due and Unpaid | 3,490 |
| Provision for Policyholders' Dividends and Coupons Apportioned for Payment | 2,716,813 |
| Provision for Policyholders' Dividends and Coupons and Similar Benefits | 49,908 |
| Advance Premium | 1,797,359 |
| Provision for Experience Rating Refunds | 36,491 |
| Interest Maintenance Reserve | 16,506,962 |
| Commissions to Agents Due or Accrued | 306,776 |
| General Expenses Due or Accrued | 11,015,618 |
| Transfers to Separate Accounts Due or Accrued | (46,677,937) |
| Taxes, Licenses and Fees | 1,747,672 |
| Unearned Investment Income | 483,663 |
| Amounts Withheld or Retained by Company | 64,392,948 |
| Remittances and Items not Allocated | 4,952,492 |
| Liability for Benefits for Employees and Agents | 68,275,499 |
| Asset Valuation Reserve | 29,900,000 |
| Aggregate Write-ins for Liabilities: | |
| Uncashed Checks and Pending Escheatment | 1,287,338 |
| Liability for Pension and OPEB | 23,988,619 |
| From Separate Accounts | 406,500,875 |
| TOTAL LIABILITIES | \$ 3,063,717,952 |
| Common Capital Stock | 23,120,850 |
| Gross paid in and Contributed Surplus | 41,007,019 |
| Unassigned Funds (Surplus) | 457,211,491 |
| Less: Common Capital Stock in Treasury | (182,917,318) |
| TOTAL SURPLUS | 315,301,192 |
| TOTAL CAPITAL AND SURPLUS | 338,422,042 |
| TOTAL LIABILITIES AND SURPLUS | \$ 3,402,139,994 |

Statement of Income

| | |
|--|------------------------------|
| Premiums and Annuity Considerations | \$ 303,420,804 |
| Considerations for Supplementary Contracts | 15,610,871 |
| Net Investment Income | 152,129,750 |
| Amortization of Interest Maintenance Reserve | 2,337,833 |
| Commissions and Expense Allowance on Reinsurance Ceded | 5,153,768 |
| Miscellaneous Income | 30,664,808 |
| TOTAL | <u>\$ 509,317,834</u> |
| | |
| Death Benefits | 77,442,122 |
| Matured Endowments | 828,552 |
| Annuity Benefits | 187,921,931 |
| Disability Benefits and Benefits Under Accident and Health Contracts | 27,253,472 |
| Coupons, Guaranteed Annual Pure Endowments and Similar Benefits | 85,384 |
| Surrender Benefits and Withdrawals for Life Contracts | 58,094,320 |
| Interest and Adjustments on Contracts for Deposit-type Funds | 4,970,231 |
| Payments on Supplementary Contracts with Life Contingencies | 17,408,762 |
| Increase in Aggregate Reserves for Life and Accident and Health | (8,042,517) |
| Commissions on Premiums, Annuity Considerations and Deposit Funds | 29,919,567 |
| Commissions and Expense Allowance on Reinsurance Assumed | 173,038 |
| General Insurance Expenses | 70,308,160 |
| Insurance Taxes, Licenses and Fees | 7,605,102 |
| Increase in Loading on Deferred and Uncollected Premiums | (85,835) |
| Net Transfers from Separate Accounts | (917,260) |
| Aggregate Write-ins for Deductions | 4,283,281 |
| TOTAL | <u>\$ 477,248,310</u> |
| Net Gain Before Dividends to Policyholders and Federal Income Taxes | 32,069,524 |
| Dividends to Policyholders | 2,752,622 |
| Federal and Foreign Income Taxes Incurred | 2,149,912 |
| Net Realized Capital Loss | (469,783) |
| Net Income | <u>\$ 26,697,207</u> |

Capital and Surplus Account

| | |
|---|-----------------------|
| Capital and Surplus, December 31, 2013 | \$ 330,599,087 |
| Net Income | 26,697,207 |
| Change in Net Unrealized Capital Gains and Losses | 3,137,588 |
| Change in Net Deferred Income Tax | 4,603,948 |
| Change in Nonadmitted Assets | 11,134,786 |
| Change in Reserve on Account of Change in Valuation Basis | 2,759,934 |
| Change in Asset Valuation Reserve | 2,100,000 |
| Change in Treasury Stock | (6,633,201) |
| Paid-in Surplus | 17,594 |
| Dividends to Stockholders | (11,808,513) |
| Aggregate Write-ins for Gains and Losses in Surplus | (24,186,393) |
| Net Change in Capital and Surplus | <u>7,822,950</u> |
| Capital and Surplus at December 31, 2014 | <u>\$ 338,422,037</u> |

FINANCIAL STATEMENT CHANGES RESULTING FROM THE EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENT ITEMS

None

SUMMARY OF RECOMMENDATIONS

None

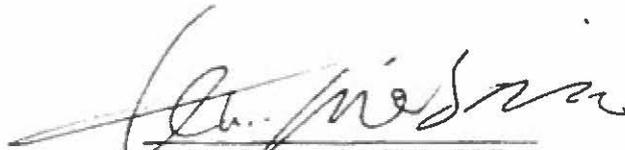
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Kansas City Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Vicki L. Denton, CFE, Karen Baldree, CPA, CFE, Laura L. Church, CPA, CFE, Emily Pennington, AFE, and Stephen Shahlari, CPA, examiners for the Missouri DIFP also participated in this examination. Kimberly Dobbs, CFE, AES, Information System Examiner for the DIFP, performed a review of the information system environment. The actuarial firm of Miller & Newberg, Consulting Actuaries, of Overland Park, Kansas also participated as consulting actuaries.

VERIFICATION

State of Missouri)
)
County of)

I, Levi N. Nwasoria, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Kansas City Life Insurance Company its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.



Levi N. Nwasoria, CPA, CFE
Examiner-In-Charge
Missouri DIFP

Sworn to and subscribed before me this 30th day of March, 2016.

My commission expires: 01/07/2018 Tammy Morales
Notary Public



TAMMY MORALES
My Commission Expires:
January 7, 2018
Clay County
Commission #1445108E

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Mark A. Nance, CPA, CFE
Audit Manager
Missouri DIFP