KANSAS CITY LIFE INSURANCE COMPANY

A Missouri Corporation

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Kansas City, MO 64111

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QUARTERLY REPORT

FOR THE QUARTER ENDED JUNE 30, 2016

ISSUER'S EQUITY SECURITIES

Common Stock
Par Value $1.25 per Share
36,000,000 Shares Authorized
9,683,414 Shares Outstanding as of June 30, 2016

Kansas City Life Insurance Company is responsible for the content of this Quarterly Report. The securities described in this document are not registered with, and the information contained in this report has not been filed with, or approved by, the U.S. Securities and Exchange Commission.

KANSAS CITY LIFE INSURANCE COMPANY

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Statement on Forward-Looking Information

This report reviews the consolidated financial condition and results of operations of Kansas City Life Insurance Company. Historical information is presented and discussed. Where appropriate, factors that may affect future financial performance are also identified and discussed. Certain statements made in this report include "forward-looking statements". Forward-looking statements include any statement that may predict, forecast, indicate or imply future results, performance, or achievements rather than historical facts and may contain words like "believe," "expect," "estimate," "project," "forecast," "anticipate," "plan," "will," "shall," and other words, phrases, or expressions with similar meaning.

Forward-looking statements are subject to known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those contemplated by the forward-looking statements. Factors that could cause future results to differ materially from expected results include, but are not limited to:

- Changes in general economic conditions, including the performance of financial markets and interest rates;
- Increasing competition and changes in consumer behavior, which may affect our ability to sell our products and retain business;
- Increasing competition in the recruitment of new general agents and agents;
- Customer and agent response to new products, distribution channels, and marketing initiatives;
- Fluctuations in experience regarding current mortality, morbidity, persistency, and interest rates relative to expected amounts used in pricing our products;
- Changes in assumptions related to deferred acquisition costs (DAC), value of business acquired (VOBA), and deferred revenue liability (DRL);
- Regulatory, accounting, or tax changes that may affect the cost of, or the demand for, our products or services; and
- Unanticipated changes in industry trends and ratings assigned by nationally recognized rating organizations.

No assurances are given that such statements will prove to be correct. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Item 1. The Exact Name of the Issuer and Address and Telephone Number of Issuer's Principal Office

Issuer's Exact Name:	Kansas City Life Insurance Company
Issuer's Address:	3520 Broadway Kansas City, Missouri 64111
Issuer's Telephone:	Telephone: (816) 753-7000 Fax: (816) 753-4902
Issuer's Website:	*www.kclife.com*
Investor Relations:	Tracy W. Knapp Senior Vice President, Finance Telephone: (816) 753-7000 ext. 8216 Email: *kclife@kclife.com*

Item 2. Shares Outstanding

Common Stock

	June 30, 2016
Number of Shares Authorized	36,000,000
Number of Shares Outstanding	9,683,414
Freely Tradable Shares (Public Float)	2,473,788
Total Number of Shareholders of Record	183

We have more than 100 beneficial shareholders of record owning at least 100 shares.

Item 3. Interim Consolidated Financial Statements

The interim consolidated financial statements of Kansas City Life Insurance Company as of June 30, 2016 are attached hereto as Exhibit 3.1 and are hereby incorporated by reference into this Quarterly Report, including:

- Consolidated Balance Sheets
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying interim consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal recurring nature. As permitted under GAAP, certain footnotes or other financial information are condensed or omitted in the interim consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report for the year ended December 31, 2015. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

Item 4. Management's Discussion and Analysis of Financial Condition and Results of Operations

Amounts are stated in thousands, except share data, or as otherwise noted.

Management's Discussion and Analysis of Financial Condition and Results of Operations provides, in narrative form, the perspective of the management of Kansas City Life Insurance Company on its financial condition, results of operations, and certain other factors that may affect its future results. The terms "the Company," "we," "us," and "our" are used to refer to Kansas City Life Insurance Company and its subsidiaries. Kansas City Life Insurance Company (Kansas City Life) is the parent company. Sunset Life Insurance Company of America (Sunset Life) and Old American Insurance Company (Old American) are wholly-owned subsidiaries. The Company also has non-insurance subsidiaries that individually and collectively are not material.

The following is a discussion and analysis of the results of operations for the second quarters and six months ended June 30, 2016 and 2015 and the financial condition of the Company at June 30, 2016. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in this document, as well as our Annual Report for the year ended December 31, 2015, which is available on the OTC Markets website.

Overview

Our profitability depends on many factors, which include but are not limited to:

- The sale of traditional and interest sensitive life, annuity, and accident and health products;
- The rate of mortality, lapse, and surrender of future policy benefits and policyholder account balances;
- The rate of morbidity, disability, and incurrence of other policyholder benefits;
- Persistency of existing insurance policies;
- Interest rates credited to policyholders;
- The effectiveness of reinsurance programs;
- The amount of investment assets under management;
- The ability to maximize investment returns and manage risks such as interest rate risk, credit risk, and equity risk;
- Timely and cost-effective access to liquidity; and
- Management of distribution costs and operating expenses.

General economic conditions may affect future results. Market fluctuations, often extreme in nature, have significantly impacted the financial markets and our investments, revenues, and policyholder benefits in recent periods. The sustained low interest rate environment and volatile equity markets have presented significant challenges to the financial markets as a whole and specifically to companies invested in fixed maturity securities and other fixed income investments. These conditions may continue and the stressed economic and market environment may persist into the future, affecting our revenue, net income, and financial position.

Consolidated Results of Operations

Summary of Results

We earned net income of $5.2 million in the second quarter of 2016 compared to $10.9 million in the second quarter of 2015. Net income per share was $0.54 in the second quarter of 2016 versus $1.01 in the same period in the prior year. Net income for the first six months of 2016 was $9.5 million compared to $17.7 million in the same period in the prior year. Net income per share for the first six months of 2016 was $0.98 versus $1.64 one year earlier.

The following table presents variances between the results for the second quarters and six months ended June 30, 2016 and 2015.

	Quarter Ended June 30			Six Months Ended June 30		
	2016	2015	Variance	2016	2015	Variance
Revenues:						
Insurance and other revenues	$ 70,209	$ 68,315	$ 1,894	$ 142,207	$ 139,463	$ 2,744
Net investment income	38,317	40,206	(1,889)	76,425	79,898	(3,473)
Net realized investment gains (losses)	(2)	352	(354)	2,446	317	2,129
Benefits and expenses:						
Policyholder benefits and interest credited to policyholder account balances	75,115	66,394	(8,721)	147,489	135,175	(12,314)
Amortization of deferred acquisition costs	2,200	1,958	(242)	11,759	10,342	(1,417)
Operating expenses	23,687	24,965	1,278	48,075	49,083	1,008
Income tax expense	2,280	4,657	2,377	4,256	7,401	3,145
Net income	$ 5,242	$ 10,899	$ (5,657)	$ 9,499	$ 17,677	$ (8,178)

Insurance Revenues

Insurance revenues consist of premiums, net of reinsurance, from the sale of traditional individual and group life insurance products, immediate annuities, and accident and health products, as well as contract charges from interest sensitive and deposit-type products. The level of new sales, the type of products sold, the persistency of policies, general economic conditions, and competitive forces affect insurance revenues.

The following table presents gross premiums on new and renewal business, less reinsurance ceded. New premiums are also detailed by product.

	Quarter Ended June 30			Six Months Ended June 30		
	2016	% Change	2015	2016	% Change	2015
New premiums:						
Traditional life insurance	$ 5,085	12%	$ 4,529	$ 9,944	10%	$ 9,027
Immediate annuities	6,326	9%	5,825	12,809	6%	12,121
Group life insurance	719	33%	540	1,440	30%	1,110
Group accident and health insurance	3,447	34%	2,576	7,237	42%	5,082
Total new premiums	15,577	16%	13,470	31,430	15%	27,340
Renewal premiums	41,109	2%	40,424	81,388	1%	80,640
Total premiums	56,686	5%	53,894	112,818	4%	107,980
Reinsurance ceded	(14,620)	4%	(14,052)	(28,650)	5%	(27,162)
Net premiums	$ 42,066	6%	$ 39,842	$ 84,168	4%	$ 80,818

Consolidated total premiums increased $2.8 million or 5% in the second quarter of 2016 compared with the second quarter of 2015. New premiums increased $2.1 million or 16% in 2016 compared with the prior year. The largest factor in this increase was a $0.9 million or 34% increase in new group accident and health premiums. This increase was primarily from the long-term disability line, which is significantly reinsured. In addition, new traditional life insurance premiums increased $0.6 million or 12%, and new immediate annuity premiums increased $0.5 million or 9%. Renewal premiums increased $0.7 million or 2% in 2016 versus one year earlier. This increase resulted from a $0.9 million or 3% increase in renewal individual life premiums. The increases in traditional life insurance premiums were principally from Old American Insurance Company.

Consolidated total premiums increased $4.8 million or 4% in the first six months of 2016 compared with the prior year. New premiums increased $4.1 million or 15% in 2016 compared with the prior year. This improvement primarily resulted from a $2.2 million or 42% increase in new group accident and health premiums. This increase was largely from the long-term disability line, which is significantly reinsured. Also, new traditional life insurance premiums increased $0.9 million or 10%, new immediate annuity premiums increased $0.7 million or 6%, and new group life premiums increased $0.3 million or 30%. Renewal premiums increased $0.7 million or 1% in the first six months of 2016 versus the prior year, reflecting a $1.7 million or 3% increase in renewal individual life premiums. This increase was partially offset by a $0.9 million or 4% decline in renewal group accident and health premiums, primarily from the dental line. The increases in traditional life insurance premiums were principally from Old American Insurance Company.

The following table reconciles deposits with the Consolidated Statements of Cash Flows and provides detail by new and renewal deposits. New deposits are also detailed by product.

	Quarter Ended June 30			Six Months Ended June 30		
	2016	% Change	2015	2016	% Change	2015
New deposits:						
Universal life insurance	$ 3,575	18 %	$ 3,042	$ 6,475	(11)%	$ 7,284
Variable universal life insurance	48	(34)%	73	154	(7)%	165
Fixed annuities	12,002	5 %	11,481	23,255	14 %	20,332
Variable annuities	1,370	(73)%	5,102	5,140	(48)%	9,946
Total new deposits	16,995	(14)%	19,698	35,024	(7)%	37,727
Renewal deposits	35,394	(8)%	38,621	71,385	(6)%	76,306
Total deposits	$ 52,389	(10)%	$ 58,319	$ 106,409	(7)%	$ 114,033

General economic conditions and interest rates available in the marketplace heavily influence new deposits on interest sensitive products. In addition, fluctuations in the equity markets influence the variable life and annuity products. Generally, low interest rate environments present significant challenges to products such as these and potential sizeable fluctuations in new sales can result.

Total new deposits decreased $2.7 million or 14% in the second quarter of 2016 compared with the second quarter of 2015. This decrease resulted from a $3.7 million or 73% decline in new variable annuity deposits. Partially offsetting this were increases of $0.5 million or 18% in new universal life deposits and $0.5 million or 5% in new fixed annuity deposits. Total renewal deposits decreased $3.2 million or 8% in the second quarter of 2016 compared to the prior year as renewal deposits decreased for universal life, variable universal life, and fixed deferred annuities.

Total new deposits decreased $2.7 million or 7% in the first six months of 2016 compared with the prior year. This reflected declines of $4.8 million or 48% in new variable annuity deposits and $0.8 million or 11% in new universal life deposits. Partially offsetting these, new fixed annuity deposits increased $2.9 million or 14%. Total renewal deposits decreased $4.9 million or 6% in the first six months of 2016 compared to the prior year as renewal deposits decreased in each product line.

Contract charges result from charges and fees on interest-sensitive and deposit-type products. We maintain both open blocks of business and closed blocks of business. The closed blocks of business reflect products and entities that have been purchased and for which we are not actively pursuing marketing efforts to generate new sales. We continue to service these policies to support customers and to meet long-term profit objectives, as these blocks of business run off or decline over time.

Total contract charges increased less than 1% in both the second quarter and first six months of 2016 compared to the same periods one year earlier. Total contract charges on open, or ongoing, blocks of business increased 5% in both the second quarter and first six months of 2016 versus the prior year. These increases were mainly due to variances in deferred revenue unlocking adjustments during the second quarters of 2016 and 2015.

Total contract charges on closed blocks equaled 43% of total consolidated contract charges during the second quarter of 2016, down from 45% in the second quarter of 2015. Total contract charges on closed blocks equaled 42% of total consolidated contract charges in the first six months of 2016, compared to 44% in the first six months of 2015. Total contract charges on closed blocks decreased 5% in both the second quarter and first six months of 2016 compared to the same periods in 2015. These decreases reflect the runoff of the business, which was within expectations.

Investment Revenues
Gross investment income decreased $2.0 million or 4% in the second quarter and $3.3 million or 4% in the first six months of 2016 compared with the same periods in 2015. These decreases reflected lower average invested assets and lower overall yields earned and available on certain investments.

Fixed maturity securities provide a majority of our investment income. Income from these investments declined $1.7 million or 6% in the second quarter and $3.3 million or 6% in the first six months of 2016 compared to the prior year, due to lower average invested assets and lower yields earned. Fixed maturity securities comprised 75% of our total investments at June 30, 2016 and 74% at December 31, 2015, with 96% of the portfolio above investment grade at June 30, 2016 and 95% above investment grade at December 31, 2015.

Investment income from commercial mortgage loans decreased $0.3 million or 3% in the second quarter of 2016 and was essentially flat in the first six months compared to one year earlier. The results from both periods reflected lower yields earned. Partially offsetting the decreases in yield was a higher average mortgage loan portfolio balance compared to the prior year.

We recorded a net realized investment loss of less than $0.1 million in the second quarter of 2016, compared with a net realized investment gain of $0.4 million in the second quarter of 2015. During the second quarter of 2016, we recorded $0.7 million in gains, largely from the sale of certain securities. Partially offsetting these gains, investment losses of $0.7 million were recorded, primarily due to the impairment write-down of one security that was considered other-than-temporarily impaired. Net realized investment gains for the first six months totaled $2.4 million in 2016 compared to $0.3 million in 2015. Gains recorded in the first six months of 2016 included $0.9 million from sales of investment securities and $1.3 million of investment securities called and other. In addition, gains resulting from the sale of real estate totaled $1.0 million from the first quarter of 2016. Partially offsetting these gains, investment losses of $0.8 million were recorded, primarily due to the impairment write-down of one security that was considered other-than-temporarily impaired.

Policyholder Benefits
Policyholder benefits consist of death benefits, immediate annuity benefits, accident and health benefits, surrenders, other benefits, and the associated increase or decrease in reserves for future policy benefits. The largest component of policyholder benefits was death benefits for the periods presented. Death benefits reflect mortality results, after consideration of the impact of reinsurance.

Policyholder benefits increased $9.2 million or 19% in the second quarter of 2016 compared to the second quarter of 2015, primarily reflecting an increase in benefit and contract reserves. Contributing to the change in reserves was an increase in the fair value of the guaranteed minimum withdrawal benefit (GMWB) rider liability, which resulted in a $3.6 million increase in benefit and contract reserves year-over-year. This change included a $1.8 million increase in reserves in the second quarter of 2016 and a $1.7 million decrease in reserves in the second quarter of the prior year. These fluctuations are primarily attributed to decreases in risk-free swap rates. In addition, the changes in reserves reflected a $1.1 million increase in reserves on interest bonuses for certain policies and a $2.6 million reserve increase on the secondary guaranteed universal life product. This compares to a $0.3 million decrease in reserves on interest bonuses for certain policies in the second quarter of 2015. These are related to the unlocking, as described below in Unlocking and Refinements in Estimates. Also, net death benefits increased $0.7 million in the second quarter as an increase in direct death benefits more than offset an increase in ceded death benefits.

Policyholder benefits increased $13.2 million or 13% in the first six months of 2016 compared to the same period one year earlier. The largest factor in this change was an increase in benefit and contract reserves. Changes in the fair value of the guaranteed minimum withdrawal benefit (GMWB) rider resulted in a $7.0 million increase in benefit and contract reserves. This change included a $3.5 million increase in reserves in the first six months of 2016 and a $3.5 million decrease in reserves in the prior year. This fluctuation is primarily due to decreases in risk-free swap rates. Also, the change in reserves reflected a $1.1 million increase in reserves on interest bonuses for certain policies and a $2.6 million reserve increase on the secondary guaranteed universal life product. This compares to a $0.3 million decrease in reserves on interest bonuses for certain policies in the the first six months of 2015. These are related to the unlocking, as described below in Unlocking and Refinements in Estimates. Partially offsetting these changes, net death benefits decreased $0.6 million in the first six months of 2016, as an increase in direct death benefits was more than offset by an increase in ceded death benefits.

Interest Credited to Policyholder Account Balances
Interest credited to policyholder account balances decreased $0.5 million or 2% in the second quarter and $0.9 million or 2% in the first six months of 2016 compared to the same periods of 2015. These declines were due to lower average crediting rates and decreased policyholder account balances.

Amortization of DAC
The amortization of DAC increased $0.2 million or 12% in the second quarter and $1.4 million or 14% in the first six months of 2016 compared to the prior year. These increases reflected unlocking adjustments that decreased DAC amortization $5.9 million in the second quarter of 2016 compared to unlocking adjustments that decreased DAC amortization $6.4 million in the second quarter of 2015. In addition, DAC amortization was greater for traditional life products due to increased terminations. Offsetting this was lower amortization on interest sensitive products, reflecting mortality results. The unlocking in 2016 was associated with favorable adjustments for mortality, partially offset by adjustments related to interest rates. The unlocking in 2015 was associated with favorable adjustments for mortality and expenses, partially offset by adjustments related to interest rates.

Unlocking and Refinements in Estimates
At least annually, we review the models and the assumptions used to develop expected gross profits for interest sensitive and variable insurance products based upon management's current view of future events. Key assumptions analyzed include net interest income, net realized investment gains and losses, fees, surrender charges, expenses, and mortality gains and losses, net of reinsurance. We also consider refinements in estimates due to improved capabilities resulting from administrative or actuarial system enhancements.

The following tables summarize the effects of the refinements in estimates on all products and unlocking of assumptions on interest sensitive products in the Consolidated Statements of Comprehensive Income. In addition, we had a $3.7 million reserve increase in the first six months of 2016 and $0.3 million reserve decrease in the first six months of 2015 related to the impacts of unlocking, as described above in Policyholder Benefits.

	DAC	VOBA	DRL	Total
June 30, 2016				
Unlocking	$ 5,918	$ 536	$ (1,153)	$ 5,301
Refinement in estimate	(82)	—	178	96
	$ 5,836	$ 536	$ (975)	$ 5,397

	DAC	VOBA	DRL	Total
June 30, 2015				
Unlocking	$ 6,380	$ (862)	$ (2,344)	$ 3,174
Refinement in estimate	—	—	—	—
	$ 6,380	$ (862)	$ (2,344)	$ 3,174

The pre-tax income impact of all adjustments related to unlocking and refinements in estimates, including insurance revenues, amortization of DAC and VOBA, and policyholder benefits, was a favorable $1.7 million in the second quarter of 2016 and $3.5 million in the same period in 2015.

Operating Expenses
Operating expenses consist of incurred commission expense from the sale of insurance products, net of the deferral of certain commissions and certain expenses directly associated with the successful acquisition of new business, expenses from our operations, the amortization of VOBA, and other expenses. In total, operating expenses decreased $1.3 million or 5% in the second quarter and $1.0 million or 2% in the first six months of 2016 compared to the same periods in 2015. These declines reflected decreased VOBA amortization, partially offset by higher employee and agent benefit and support costs.

VOBA is evaluated on an ongoing basis for unlocking adjustments. If necessary, adjustments are made to the current period VOBA amortization. The amortization of VOBA decreased $1.5 million in the second quarter and $1.6 million in the first six months of 2016 compared to the prior year. The decrease in both periods was largely due to an unlocking adjustment, which decreased VOBA amortization $0.5 million in the second quarter of 2016. This compares to an unlocking adjustment that increased VOBA amortization $0.9 million in the second quarter of 2015. The unlocking in 2016 was associated with favorable adjustments for mortality, expenses, surrenders, and premium persistency, partially offset by adjustments related to interest rates. The unlocking in 2015 was associated with interest and expense margins.

Income Taxes
We recorded income tax expense of $2.3 million or 30% of income before tax in the second quarter 2016, compared to income tax expense of $4.7 million or 30% of income before tax for the prior year period.

We recorded income tax expense for the six months ended June 30, 2016 of $4.3 million or 31% of income before tax in 2016, compared to income tax expense of $7.4 million or 30% of income before tax for the prior year period. The increase in the effective tax rate was primarily due to the variance in actual versus assumed results that impacted taxes for the six months ended June 30, 2016.

Analysis of Investments

This analysis of investments should be read in conjunction with Note 3 included in Exhibit 3.1.

The following table provides asset class detail of the investment portfolio. Fixed maturity and equity securities represented 76% of the investment portfolio at June 30, 2016 and 75% of the investment portfolio at December 31, 2015.

	June 30 2016	% of Total	December 31 2015	% of Total
Fixed maturity securities	$ 2,683,304	75%	$ 2,580,845	74%
Mortgage loans	568,348	16%	589,960	17%
Real estate	166,364	4%	168,097	5%
Policy loans	79,792	2%	81,392	2%
Equity securities	25,557	1%	25,325	1%
Short-term investments	56,768	2%	22,474	1%
Other investments	717	—	380	—
Total	$ 3,580,850	100%	$ 3,468,473	100%

Fixed maturity securities were the largest component of our total investments at June 30, 2016. The largest categories of fixed maturity securities at June 30, 2016 consisted of 79% in corporate obligations, 7% in municipal securities, and 6% in U.S. Treasury securities and other obligations of the U.S. Government. Fixed maturity securities had unrealized gains of $199.5 million and unrealized losses of $11.3 million at June 30, 2016.

We use actual or equivalent Standard & Poor's ratings to determine the investment grading of fixed maturity securities. We had 96% of our fixed maturity securities above investment grade at June 30, 2016 and 95% at December 31, 2015.

The fair value of fixed maturity securities with unrealized losses was $163.1 million at June 30, 2016, compared with $567.2 million at December 31, 2015. This decrease primarily reflected lower market interest rates and a recovery in prices for securities issued by companies in the energy and mining and materials sectors during 2016. At June 30, 2016, 76% of security investments with an unrealized loss were investment grade and accounted for 67% of the total unrealized losses. At December 31, 2015 , 94% of securities with an unrealized loss were investment grade and accounted for 88% of the total unrealized losses. At June 30, 2016, we had $201.7 million in gross unrealized gains on fixed maturity and equity securities that offset gross unrealized losses of $11.3 million. At December 31, 2015, we had $128.6 million in gross unrealized gains on fixed maturity and equity securities that offset $32.8 million in gross unrealized losses. At June 30, 2016, 94% of the fixed maturity and equity securities portfolio had unrealized gains, an increase from 78% at December 31, 2015. We had a decrease in gross unrealized losses in most categories from year-end 2015 to June 30, 2016, due to changes in interest rates and market spreads during 2016. Gross unrealized losses on fixed maturity and equity securities for less than 12 months accounted for $1.3 million or 12% of the security values in a gross unrealized loss position at June 30, 2016 compared to $23.2 million or 71% at December 31, 2015. Gross unrealized losses on fixed maturity and equity security investments of 12 months or longer increased from $9.6 million at December 31, 2015 to $10.0 million at June 30, 2016.

Our residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade were 39% of the total at June 30, 2016 compared to 41% at December 31, 2015.

Investments in mortgage loans totaled $568.3 million at June 30, 2016, down from $590.0 million at December 31, 2015. The commercial mortgage loan portfolio decreased $21.7 million during the first six months of 2016, as the regularly scheduled payments and the volume of prepaid loans exceeded total new loans. We may receive fees when borrowers prepay their mortgage loans. During the first six months of 2016, the dollar volume of prepaid loans increased, largely due to one sizeable loan prepayment. This resulted in an increase in prepayment fees in the first six months of 2016 relative to the same period in 2015. Our mortgage loans are secured by commercial real estate. These loans are stated at the outstanding principal balance, adjusted for amortization of premium and accrual of discount, less an allowance for loan losses. We believe this allowance is at a level adequate to absorb estimated credit losses and was $2.6 million at June 30, 2016 and $2.7 million at December 31, 2015.

Investments in real estate totaled $166.4 million at June 30, 2016 and $168.1 million at December 31, 2015. In the first quarter of 2016, we sold a developed property that resulted in a realized gain of $1.0 million before applicable income taxes.

Liquidity and Capital Resources

Liquidity

Statements made in our Annual Report for the year ended December 31, 2015 remain pertinent, as our liquidity position is materially unchanged from year-end 2015.

Net cash provided by operating activities was $7.2 million for the six months ended June 30, 2016. The primary sources of cash from operating activities in the first six months of 2016 were premium receipts and net investment income. The primary uses of cash from operating activities in the first six months of 2016 were for the payment of policyholder benefits and operating expenses. Net cash used by investing activities was $11.5 million. The primary sources of cash were sales, maturities, calls, and principal paydowns of investments totaling $201.7 million. Offsetting these, investment purchases, including new mortgage loans and new policy loans, totaled $178.6 million. Net cash from financing activities was $3.5 million, reflecting net transfers from separate accounts and deposits, net of withdrawals, from policyholder account balances. These were partially offset by the payment of $5.2 million in stockholder dividends.

Capital Resources

We believe existing capital resources adequately support the current level of business activities.

The following table shows the capital adequacy for the Company.

	June 30 2016	December 31 2015
Total assets, excluding separate accounts	$ 4,159,481	$ 4,048,949
Total stockholders' equity	715,093	663,831
Ratio of stockholders' equity to assets, excluding separate accounts	17%	16%

The ratio of equity to assets less separate accounts was 17% at June 30, 2016, up from 16% at December 31, 2015. Stockholders' equity increased $51.3 million from year-end 2015, primarily due to an increase in net unrealized gains compared to the prior year-end. Stockholders' equity per share, or book value, equaled $73.85 at June 30, 2016, an increase from $68.55 at year-end 2015.

Net unrealized gains on available for sale securities, which are included as part of accumulated other comprehensive income (loss) and as a component of stockholders' equity (net of unrealized losses on investments, related taxes, policyholder account balances, future policy benefits, DAC, VOBA, and DRL), totaled $85.4 million at June 30, 2016. This $47.0 million increase from December 31, 2015 primarily reflected lower market interest rates at June 30, 2016.

Our statutory equity exceeds the minimum capital deemed necessary to support our insurance business, as determined by the risk-based capital calculations and guidelines established by the National Association of Insurance Commissioners. We believe these statutory limitations impose no practical restrictions on future dividend payment plans.

The Board of Directors authorized the purchase of up to one million of our shares on the open market through January 2017. During the first six months of 2016, we did not purchase any of our shares under the stock repurchase authorization. During the first six months of 2015, we purchased 190,381 shares under the stock repurchase authorization, totaling $8.7 million.

On July 25, 2016, the Board of Directors declared a quarterly dividend of $0.27 per share payable on August 10, 2016 to stockholders of record on August 4, 2016.

Financial Examination

Insurance companies are regulated by state insurance departments and are subject to periodic examinations by state regulatory authorities. Quarterly and annual statutory financial statements prepared on the basis of statutory accounting principles are subject to these examinations. The Missouri Department of Insurance most recently completed an examination based upon our statutory financial statements for the year ended December 31, 2014 for Kansas City Life, Sunset Life, and Old American. No recommendations or financial adjustments were required of any of the insurance companies as a result of that examination.

Item 5. Legal Proceedings

There are no current, past, pending or threatened legal proceedings or administrative actions either by or against Kansas City Life Insurance Company that could be expected to have a material effect on our business, financial condition or operations. Our securities are not subject to any past or pending trading suspensions by a securities regulator. Please see the section entitled "Contingent Liabilities" in Note 15 of the financial statements shown in Exhibit 3.1.

Item 6. Defaults upon Senior Securities

None

Item 7. Other Information

None

Item 8. Exhibits

3.1 Interim Consolidated Financial Statements

Item 9. Issuer's Certifications

I, R. Philip Bixby, certify that:

1. I have reviewed this quarterly disclosure statement of Kansas City Life Insurance Company;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: July 28, 2016

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

I, Tracy W. Knapp, certify that:

1. I have reviewed this quarterly disclosure statement of Kansas City Life Insurance Company;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: July 28, 2016

/s/ Tracy W. Knapp
Tracy W. Knapp
Senior Vice President, Finance

Exhibit 3.1 Interim Consolidated Financial Statements
Dollar amounts in thousands, except as otherwise noted

Kansas City Life Insurance Company
Consolidated Balance Sheets

	June 30 2016 (Unaudited)	December 31 2015
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value	$ 2,683,304	$ 2,580,845
Equity securities available for sale, at fair value	25,557	25,325
Mortgage loans	568,348	589,960
Real estate	166,364	168,097
Policy loans	79,792	81,392
Short-term investments	56,768	22,474
Other investments	717	380
Total investments	3,580,850	3,468,473
Cash	7,010	7,851
Accrued investment income	32,858	33,023
Deferred acquisition costs	269,846	267,936
Reinsurance recoverables	197,572	198,834
Property and equipment	16,087	16,580
Other assets	55,258	56,252
Separate account assets	365,906	372,924
Total assets	$ 4,525,387	$ 4,421,873
LIABILITIES		
Future policy benefits	$ 948,479	$ 926,385
Policyholder account balances	2,051,880	2,056,126
Policy and contract claims	39,552	37,959
Other policyholder funds	180,933	174,353
Other liabilities	223,544	190,295
Separate account liabilities	365,906	372,924
Total liabilities	3,810,294	3,758,042
STOCKHOLDERS' EQUITY		
Common stock, par value $1.25 per share		
Authorized 36,000,000 shares, issued 18,496,680 shares	23,121	23,121
Additional paid in capital	41,025	41,025
Retained earnings	860,466	856,196
Accumulated other comprehensive income (loss)	31,782	(15,210)
Treasury stock, at cost (2016 and 2015 - 8,813,266 shares)	(241,301)	(241,301)
Total stockholders’ equity	715,093	663,831
Total liabilities and stockholders’ equity	$ 4,525,387	$ 4,421,873

See accompanying Notes to Consolidated Financial Statements

Kansas City Life Insurance Company
Consolidated Statements of Comprehensive Income

	Quarter Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
	(Unaudited)		(Unaudited)	
REVENUES				
Insurance revenues:				
Net premiums	$ 42,066	$ 39,842	$ 84,168	$ 80,818
Contract charges	26,617	26,443	55,040	54,835
Total insurance revenues	68,683	66,285	139,208	135,653
Investment revenues:				
Net investment income	38,317	40,206	76,425	79,898
Net realized investment gains, excluding other-than-temporary impairment losses	571	2,277	3,043	2,249
Net impairment losses recognized in earnings:				
Total other-than-temporary impairment losses	(546)	(1,770)	(563)	(1,770)
Portion of impairment losses recognized in other comprehensive income (loss)	(27)	(155)	(34)	(162)
Net other-than-temporary impairment losses recognized in earnings	(573)	(1,925)	(597)	(1,932)
Total investment revenues	38,315	40,558	78,871	80,215
Other revenues	1,526	2,030	2,999	3,810
Total revenues	108,524	108,873	221,078	219,678
BENEFITS AND EXPENSES				
Policyholder benefits	56,985	47,804	111,339	98,146
Interest credited to policyholder account balances	18,130	18,590	36,150	37,029
Amortization of deferred acquisition costs	2,200	1,958	11,759	10,342
Operating expenses	23,687	24,965	48,075	49,083
Total benefits and expenses	101,002	93,317	207,323	194,600
Income before income tax expense	7,522	15,556	13,755	25,078
Income tax expense	2,280	4,657	4,256	7,401
NET INCOME	$ 5,242	$ 10,899	$ 9,499	$ 17,677
COMPREHENSIVE INCOME (LOSS), NET OF TAXES				
Change in net unrealized gains on securities available for sale, net of DAC, VOBA, and DRL	$ 26,320	$ (33,178)	$ 56,576	$ (17,158)
Change in future policy benefits	(4,548)	4,139	(9,213)	1,150
Change in policyholder account balances	(222)	247	(371)	149
Other comprehensive income (loss)	21,550	(28,792)	46,992	(15,859)
COMPREHENSIVE INCOME (LOSS)	$ 26,792	$ (17,893)	$ 56,491	$ 1,818
Basic and diluted earnings per share:				
Net income	$ 0.54	$ 1.01	$ 0.98	$ 1.64

See accompanying Notes to Consolidated Financial Statements

Kansas City Life Insurance Company
Consolidated Statements of Cash Flows

	Six Months Ended June 30	
	2016	2015
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$ 9,499	$ 17,677
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of investment premium and discount	2,163	2,128
Depreciation	2,660	2,802
Acquisition costs capitalized	(20,924)	(18,185)
Amortization of deferred acquisition costs	11,759	10,342
Realized investment gains	(2,446)	(317)
Changes in assets and liabilities:		
Reinsurance recoverables	1,262	4,827
Future policy benefits	7,920	1,265
Policyholder account balances	(11,492)	(10,253)
Income taxes payable and deferred	2,756	5,401
Other, net	4,046	(3,697)
Net cash provided	7,203	11,990
INVESTING ACTIVITIES		
Purchases:		
Fixed maturity securities	(123,640)	(144,176)
Equity securities	(3)	(8)
Mortgage loans	(47,590)	(62,099)
Real estate	(1,755)	(1,214)
Policy loans	(5,236)	(5,849)
Other investments	(361)	—
Sales or maturities, calls, and principal paydowns:		
Fixed maturity securities	123,820	133,357
Equity securities	118	3
Mortgage loans	69,131	52,153
Real estate	1,745	9
Policy loans	6,836	6,864
Other investments	18	365
Net sales (purchases) of short-term investments	(34,294)	15,599
Acquisition of property and equipment	(317)	(293)
Net cash used	(11,528)	(5,289)

Kansas City Life Insurance Company
Consolidated Statements of Cash Flows (Continued)

	Six Months Ended June 30 2016	Six Months Ended June 30 2015
	(Unaudited)	
FINANCING ACTIVITIES		
Deposits on policyholder account balances	$ 106,409	$ 114,033
Withdrawals from policyholder account balances	(104,365)	(116,604)
Net transfers from separate accounts	4,456	4,564
Change in other deposits	2,213	4,025
Cash dividends to stockholders	(5,229)	(5,816)
Net change in treasury stock	—	(8,676)
Net cash provided (used)	3,484	(8,474)
Decrease in cash	(841)	(1,773)
Cash at beginning of year	7,851	11,011
Cash at end of period	$ 7,010	$ 9,238

See accompanying Notes to Consolidated Financial Statements

1. Nature of Operations and Significant Accounting Policies

Basis of Presentation
The interim consolidated financial statements and the accompanying notes include the accounts of the consolidated entity (the Company), which primarily consists of three life insurance companies. Kansas City Life Insurance Company (Kansas City Life) is the parent company. Sunset Life Insurance Company of America (Sunset Life) and Old American Insurance Company (Old American) are wholly-owned subsidiaries. The Company also has non-insurance subsidiaries that individually and collectively are not material. The terms "the Company," "we," "us," and "our" are used in these consolidated financial statements to refer to Kansas City Life Insurance Company and its subsidiaries.

The interim consolidated financial statements were prepared on the basis of GAAP for interim financial reporting. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. As such, these interim consolidated financial statements should be read in conjunction with our Annual Report for the year ended December 31, 2015, which is available on the OTC Markets website. Management believes that the disclosures are adequate to make the information presented not misleading, and all normal and recurring adjustments necessary to present fairly the financial position and the results of operations for all periods presented have been made. The results of operations for any interim period are not necessarily indicative of operating results for a full year. Significant intercompany transactions have been eliminated in consolidation and certain immaterial reclassifications have been made to prior period results to conform with the current period's presentation.

The interim consolidated financial statements include estimates and assumptions relating to the reported amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements, and the reported amounts of certain revenue and expenses during the period. These estimates are inherently subject to change and actual results could differ from these estimates.

Significant Accounting Policies
Please refer to our Annual Report for the year ended December 31, 2015 for a full discussion of our significant accounting policies. No significant updates or changes to these policies occurred during the quarter or six months ended June 30, 2016.

2. New Accounting Pronouncements

Accounting Pronouncements Adopted

In August 2014, the Financial Accounting Standards Board (FASB) issued guidance that requires management to evaluate whether there are concerns or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued. Disclosures are required when certain criteria are met. This guidance is effective for annual periods ending after December 15, 2016. We early-adopted this guidance during the second quarter of 2016 with no material impact to the consolidated financial statements.

We adopted the following accounting pronouncements effective January 1, 2016, with no material impact to our consolidated financial statements.

In January 2015, the FASB issued guidance that eliminated the concept of extraordinary items. While the requirement for entities to consider whether an underlying event or transaction is extraordinary was eliminated, the presentation and disclosure guidance for items that are unusual in nature or occur infrequently was retained and was expanded to include items that are both unusual in nature and occur infrequently. This guidance was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015.

In February 2015, the FASB issued guidance regarding the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. Under this guidance, previous consolidation conclusions may change and additional disclosures may be required. This guidance was effective for public entities for fiscal years and interim periods within those fiscal years beginning after December 15, 2015.

In April 2015, the FASB issued guidance regarding a customer's accounting for fees paid in a cloud computing arrangement and whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, a customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, a customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer's accounting for service contracts. This guidance was effective for interim and annual reporting periods beginning after December 15, 2015.

In July 2015, the FASB issued guidance regarding employee benefit accounting. The guidance is divided into three parts. First, the guidance requires a pension plan to use contract value as the only required measure for fully benefit-responsive investment contracts. Second, the guidance simplifies and increases the effectiveness of the investment disclosure requirements for employee benefit plans. Third, the guidance provides benefit plans with a measurement date practical expedient. This guidance was effective for fiscal years beginning after December 15, 2015.

Accounting Pronouncements Issued, Not Yet Adopted

In May 2014, the FASB issued guidance regarding accounting for revenue recognition that identifies the accounting treatment for an entity's contracts with customers. Certain contracts, including insurance contracts, are specifically excluded from this guidance. However, certain other types of contracts may impact the financial statements of insurance providers. In August 2015, the FASB deferred the effective date of this guidance for public entities to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. In March 2016, this guidance was updated for principal versus agent considerations. This guidance was also updated in April 2016 to address performance obligations and licensing issues. In addition, this guidance was updated in May 2016 for narrow-scope improvements and practical expedients. We are currently evaluating this guidance.

In May 2015, the FASB issued guidance targeted to improve disclosures related to short-duration contracts. Additional disclosures will be required about insurance liabilities to provide information regarding the nature, amount, timing, and uncertainty of future cash flows related to insurance liabilities and the effect of those cash flows on the statement of comprehensive income. This guidance is effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. We are currently evaluating this guidance, and do not believe that there will be a material impact to the consolidated financial statements.

In January 2016, the FASB issued guidance regarding accounting for recognition and measurement of financial assets and financial liabilities. The new standard significantly revises an entity's accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 with early adoption allowed. We are currently evaluating this guidance.

In February 2016, the FASB issued guidance regarding leases. This guidance includes a lessee model that will cause most leases to be reported on the balance sheet. In addition, the guidance aligns existing GAAP pertaining to leases with the new revenue recognition model that will be effective for periods beginning after December 15, 2017. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating this guidance.

In March 2016, the FASB issued guidance to simplify the transition of certain investments to the equity method of accounting. This guidance eliminates the retroactive application previously required for when an investment qualifies for the use of the equity method. Instead, the cost of acquiring the additional interest in the investee is added to the current basis of the investor's previously held interest as of the date the investment becomes qualified for equity method accounting. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. We are currently evaluating this guidance.

In June 2016, the FASB issued guidance regarding the measurement of credit losses on financial instruments. Under this guidance, the incurred loss impairment methodology currently used under current GAAP for loans and other financial instruments will be replaced by a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Additional disclosures will be required to provide additional information regarding significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. This guidance is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We are currently evaluating this guidance.

All other new accounting standards and updates of existing standards issued through the date of this filing were considered by management and did not relate to accounting policies and procedures pertinent to the Company at this time or were not expected to have a material impact to the consolidated financial statements.

3. Investments

Fixed Maturity and Equity Securities Available for Sale

Securities by Asset Class
The following table provides amortized cost and fair value of securities by asset class at June 30, 2016.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 144,909	$ 13,304	$ 3	$ 158,210
Federal agencies [1]	19,789	1,114	—	20,903
Federal agency issued residential mortgage-backed securities [1]	29,989	3,746	1	33,734
Subtotal	194,687	18,164	4	212,847
Corporate obligations:				
Industrial	532,464	38,294	1,667	569,091
Energy	224,946	11,252	3,734	232,464
Communications and technology	237,031	20,831	512	257,350
Financial	204,086	16,606	1,164	219,528
Consumer	550,271	35,389	107	585,553
Public utilities	225,689	22,248	242	247,695
Subtotal	1,974,487	144,620	7,426	2,111,681
Corporate private-labeled residential mortgage-backed securities	62,136	2,546	78	64,604
Municipal securities	147,502	29,886	—	177,388
Other	101,802	3,662	3,826	101,638
Redeemable preferred stocks	14,567	579	—	15,146
Fixed maturity securities	2,495,181	199,457	11,334	2,683,304
Equity securities	23,348	2,209	—	25,557
Total	$ 2,518,529	$ 201,666	$ 11,334	$ 2,708,861

[1] Federal agency securities are not backed by the full faith and credit of the U.S. Government.

The following table provides amortized cost and fair value of securities by asset class at December 31, 2015.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 148,930	$ 7,397	$ 202	$ 156,125
Federal agencies [1]	19,782	1,415	—	21,197
Federal agency issued residential mortgage-backed securities [1]	34,015	3,545	1	37,559
Subtotal	202,727	12,357	203	214,881
Corporate obligations:				
Industrial	532,880	22,283	10,654	544,509
Energy	231,639	6,768	11,388	227,019
Communications and technology	233,063	11,538	2,368	242,233
Financial	210,142	12,764	1,409	221,497
Consumer	534,073	18,133	2,905	549,301
Public utilities	223,172	17,368	241	240,299
Subtotal	1,964,969	88,854	28,965	2,024,858
Corporate private-labeled residential mortgage-backed securities	70,761	3,436	20	74,177
Municipal securities	134,079	18,844	74	152,849
Other	96,365	2,926	2,859	96,432
Redeemable preferred stocks	17,437	310	99	17,648
Fixed maturity securities	2,486,338	126,727	32,220	2,580,845
Equity securities	24,067	1,832	574	25,325
Total	$ 2,510,405	$ 128,559	$ 32,794	$ 2,606,170

[1] Federal agency securities are not backed by the full faith and credit of the U.S. Government.

Contractual Maturities
The following table provides the distribution of maturities for fixed maturity securities available for sale. Expected maturities may differ from these contractual maturities since borrowers may have the right to call or prepay obligations.

	June 30, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 121,863	$ 123,915	$ 115,294	$ 117,145
Due after one year through five years	799,618	858,757	735,559	779,402
Due after five years through ten years	1,059,568	1,128,153	1,117,415	1,126,585
Due after ten years	365,904	413,669	349,789	378,861
Securities with variable principal payments	133,661	143,664	150,844	161,204
Redeemable preferred stocks	14,567	15,146	17,437	17,648
Total	$ 2,495,181	$ 2,683,304	$ 2,486,338	$ 2,580,845

No material derivative financial instruments were held as of June 30, 2016 or December 31, 2015.

Unrealized Losses on Investments
At the end of each quarter, all securities are reviewed to determine whether impairments exist and whether other-than-temporary impairments should be recorded. This quarterly process includes an assessment of the credit quality of each investment in the

entire securities portfolio. Additional reporting and review procedures are conducted for those securities where fair value is less than 90% of amortized cost. A formal review document is prepared no less often than quarterly of all investments where fair value is less than 80% of amortized cost for six months or more and selected investments that have changed significantly from a previous period and that have a decline in fair value greater than 10% of amortized cost. Additional information on our process and considerations, as well as related accounting when other-than-temporary impairments are identified, is provided in Note 3 - Investments of our Annual Report for the year ended December 31, 2015.

The following table provides information regarding fixed maturity and equity security investments available for sale with unrealized losses by asset class and by length of time at June 30, 2016.

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. Government	$ 376	$ 3	$ 5	$ —	$ 381	$ 3
Federal agency issued residential mortgage-backed securities [1]	17	—	43	1	60	1
Subtotal	393	3	48	1	441	4
Corporate obligations:						
Industrial	4,805	265	12,024	1,402	16,829	1,667
Energy	1,986	12	61,584	3,722	63,570	3,734
Communications and technology	7,563	461	2,359	51	9,922	512
Financial	—	—	4,720	1,164	4,720	1,164
Consumer	5,955	48	2,000	59	7,955	107
Public utilities	5,927	163	1,127	79	7,054	242
Subtotal	26,236	949	83,814	6,477	110,050	7,426
Corporate private-labeled residential mortgage-backed securities	4,468	3	3,359	75	7,827	78
Other	9,493	357	35,309	3,469	44,802	3,826
Fixed maturity securities	40,590	1,312	122,530	10,022	163,120	11,334
Total	$ 40,590	$ 1,312	$ 122,530	$ 10,022	$ 163,120	$ 11,334

[1] Federal agency securities are not backed by the full faith and credit of the U.S. Government.

The following table provides information regarding fixed maturity and equity security investments available for sale with unrealized losses by asset class and by length of time at December 31, 2015.

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. Government	$ 19,447	$ 202	$ —	$ —	$ 19,447	$ 202
Federal agency issued residential mortgage-backed securities [1]	47	—	291	1	338	1
Subtotal	19,494	202	291	1	19,785	203
Corporate obligations:						
Industrial	153,258	10,151	2,492	503	155,750	10,654
Energy	76,838	5,638	34,313	5,750	111,151	11,388
Communications and technology	53,751	2,368	—	—	53,751	2,368
Financial	18,040	927	1,421	482	19,461	1,409
Consumer	121,261	2,573	7,192	332	128,453	2,905
Public utilities	15,983	241	—	—	15,983	241
Subtotal	439,131	21,898	45,418	7,067	484,549	28,965
Corporate private-labeled residential mortgage-backed securities	3,734	20	—	—	3,734	20
Municipal securities	3,118	74	—	—	3,118	74
Other	15,742	386	33,366	2,473	49,108	2,859
Redeemable preferred stocks	—	—	6,925	99	6,925	99
Fixed maturity securities	481,219	22,580	86,000	9,640	567,219	32,220
Equity securities	2,156	574	—	—	2,156	574
Total	$ 483,375	$ 23,154	$ 86,000	$ 9,640	$ 569,375	$ 32,794

[1] Federal agency securities are not backed by the full faith and credit of the U.S. Government.

The following table provides information regarding the number of fixed maturity and equity security issues with unrealized losses at June 30, 2016 and December 31, 2015.

	June 30 2016	December 31 2015
Below cost for less than one year	18	179
Below cost for one year or more and less than three years	24	19
Below cost for three years or more	13	9
Total	55	207

We do not consider these unrealized losses to be credit-related. The unrealized losses at June 30, 2016 primarily relate to changes in interest rates and market spreads after purchase. A substantial portion of investment securities that have unrealized losses are either corporate debt issued with investment grade credit ratings or other investment securities. Included in other investment securities are commercial mortgage-backed securities and asset-backed securities.

We have written down certain investments in previous periods. Fixed maturity securities written down and still owned at June 30, 2016 had a fair value of $68.9 million and net unrealized gains of $3.8 million, compared to the December 31, 2015 fair value of $80.7 million and net unrealized gains of $4.6 million. Additional information identified or further deteriorations could result in impairments in future periods.

We evaluated the current status of all investments previously written down to determine whether we believe that these investments remained credit-impaired to the extent previously recorded. Our evaluation process is similar to our impairment evaluation process.

If evidence exists that we believe that we will receive the contractual cash flows from securities previously written down, the accretion of income is adjusted. We did not change our evaluation of any investments under this process during 2016 or 2015.

The following table summarizes our investments in securities available for sale with unrealized losses at June 30, 2016.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$ 124,248	$ 119,217	$ 5,031
Unrealized losses of 20% or less and greater than 10%	36,250	31,087	5,163
Subtotal	160,498	150,304	10,194
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	1,997	1,340	657
Twelve months or greater	908	570	338
Total investment grade	2,905	1,910	995
Below investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total below investment grade	—	—	—
Unrealized losses greater than 20%	2,905	1,910	995
Subtotal	163,403	152,214	11,189
Securities owned with realized impairment:			
Unrealized losses of 10% or less	11,051	10,906	145
Unrealized losses of 20% or less and greater than 10%	—	—	—
Subtotal	11,051	10,906	145
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total investment grade	—	—	—
Below investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total below investment grade	—	—	—
Unrealized losses greater than 20%	—	—	—
Subtotal	11,051	10,906	145
Total	$ 174,454	$ 163,120	$ 11,334

The following table summarizes our investments in securities available for sale with unrealized losses at December 31, 2015.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$ 511,941	$ 496,587	$ 15,354
Unrealized losses of 20% or less and greater than 10%	57,124	48,447	8,677
Subtotal	569,065	545,034	24,031
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	18,096	12,944	5,152
Twelve months or greater	908	596	312
Total investment grade	19,004	13,540	5,464
Below investment grade:			
Less than twelve months	5,893	2,743	3,150
Twelve months or greater	—	—	—
Total below investment grade	5,893	2,743	3,150
Unrealized losses greater than 20%	24,897	16,283	8,614
Subtotal	593,962	561,317	32,645
Securities owned with realized impairment:			
Unrealized losses of 10% or less	8,097	8,013	84
Unrealized losses of 20% or less and greater than 10%	—	—	—
Subtotal	8,097	8,013	84
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	110	45	65
Twelve months or greater	—	—	—
Total investment grade	110	45	65
Below investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total below investment grade	—	—	—
Unrealized losses greater than 20%	110	45	65
Subtotal	8,207	8,058	149
Total	$ 602,169	$ 569,375	$ 32,794

The following table provides information on fixed maturity securities with gross unrealized losses by actual or equivalent Standard & Poor's rating at June 30, 2016.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AA	$ 16,628	10%	$ 1,317	12%
A	31,238	19%	1,141	10%
BBB	76,180	47%	5,109	45%
Total investment grade	124,046	76%	7,567	67%
BB	6,325	4%	759	7%
B and below	32,749	20%	3,008	26%
Total below investment grade	39,074	24%	3,767	33%
	$ 163,120	100%	$ 11,334	100%

The following table provides information on fixed maturity securities with gross unrealized losses by actual or equivalent Standard & Poor's rating at December 31, 2015.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	$ 10,050	2%	$ 198	1%
AA	79,448	14%	2,570	8%
A	161,483	28%	4,928	15%
BBB	280,178	50%	20,569	64%
Total investment grade	531,159	94%	28,265	88%
BB	25,465	4%	3,798	12%
B and below	10,595	2%	157	—%
Total below investment grade	36,060	6%	3,955	12%
	$ 567,219	100%	$ 32,220	100%

Our residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade were 39% of the below investment grade total at June 30, 2016, down from 41% at December 31, 2015.

The following table provides the distribution of maturities for fixed maturity securities available for sale with unrealized losses. Expected maturities may differ from these contractual maturities since borrowers may have the right to call or prepay obligations.

	June 30, 2016		December 31, 2015	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturity securities available for sale:				
Due in one year or less	$ 5,887	$ 78	$ —	$ —
Due after one year through five years	12,581	626	68,757	1,548
Due after five years through ten years	81,289	5,502	421,519	26,164
Due after ten years	55,470	5,049	65,939	4,388
Total	155,227	11,255	556,215	32,100
Securities with variable principal payments	7,893	79	4,079	21
Redeemable preferred stocks	—	—	6,925	99
Total	$ 163,120	$ 11,334	$ 567,219	$ 32,220

We recorded other-than-temporary impairments for corporate private-labeled residential mortgage-backed and other securities in earnings of $0.6 million in the six months ended June 30, 2016 and $1.9 million in the six months ended June 30, 2015. We determined the other-than-temporary impairments recorded in earnings based upon the present value of projected future cash flows.

We also monitor structured securities through a combination of an analysis of vintage, credit ratings, and other factors. Structured securities include asset-backed residential mortgage-backed securities, along with collateralized debt obligations and other collateralized obligations.

The following tables divide these investment types by credit ratings for all vintages owned.

	June 30, 2016		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Residential & non-agency MBS:			
Investment grade	$ 11,206	$ 10,885	$ 321
Below investment grade	61,300	58,143	3,157
Total residential & Non-agency MBS	72,506	69,028	3,478
Other structured securities:			
Investment grade	64,279	64,232	47
Below investment grade	13,648	15,435	(1,787)
Total other structured securities	77,927	79,667	(1,740)
Total structured securities	$ 150,433	$ 148,695	$ 1,738

	December 31, 2015		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Residential & non-agency MBS:			
Investment grade	$ 12,351	$ 11,952	$ 399
Below investment grade	70,966	66,932	4,034
Total residential & Non-agency MBS	83,317	78,884	4,433
Other structured securities:			
Investment grade	56,601	57,416	(815)
Below investment grade	14,714	15,585	(871)
Total other structured securities	71,315	73,001	(1,686)
Total structured securities	$ 154,632	$ 151,885	$ 2,747

The following table provides a reconciliation of credit losses recognized in earnings on fixed maturity securities for which a portion of the other-than-temporary impairment loss was recognized in other comprehensive income (loss).

	Quarter Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Credit losses on securities held at beginning of the period	$ 20,369	$ 17,891	$ 20,350	$ 17,889
Additions for increases in the credit loss for which an other-than-temporary impairment was previously recognized when there was no intent to sell the security before recovery of its amortized cost basis	573	1,925	597	1,932
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	(6)	(5)	(11)	(10)
Credit losses on securities held at the end of the period	$ 20,936	$ 19,811	$ 20,936	$ 19,811

Realized Gains (Losses)

The following table provides detail concerning realized investment gains and losses.

	Quarter Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Gross gains resulting from:				
Sales of investment securities	$ 659	$ 36	$ 907	$ 36
Investment securities called and other	84	2,360	1,346	2,587
Real estate	—	3	1,020	3
Total gross gains	743	2,399	3,273	2,626
Gross losses resulting from:				
Sales of investment securities	(1)	—	(87)	—
Investment securities called and other	(5)	(63)	(6)	(113)
Sale of real estate and joint venture	(34)	—	(34)	—
Mortgage loans	(91)	(12)	(95)	(205)
Total gross losses	(131)	(75)	(222)	(318)
Change in allowance for loan losses	1	(29)	77	(38)
Amortization of DAC, VOBA, and DRL	(42)	(18)	(85)	(21)
Net realized investment gains, excluding other-than-temporary impairment losses	571	2,277	3,043	2,249
Net impairment losses recognized in earnings:				
Other-than-temporary impairment losses on fixed maturity and equity securities	(546)	(1,770)	(563)	(1,770)
Portion of loss recognized in other comprehensive income (loss)	(27)	(155)	(34)	(162)
Net other-than-temporary impairment losses recognized in earnings	(573)	(1,925)	(597)	(1,932)
Net realized investment gains (losses)	$ (2)	$ 352	$ 2,446	$ 317

Proceeds From Sales of Investment Securities

The following table details proceeds from the sale of fixed maturity and equity securities, excluding maturities and calls.

	Quarter Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Proceeds	$ 10,599	$ 1,039	$ 18,473	$ 1,039

Mortgage Loans

Investments in mortgage loans totaled $568.3 million at June 30, 2016, compared to $590.0 million at December 31, 2015. Our mortgage loans are secured by commercial real estate and are stated at cost, adjusted for premium amortization and discount accrual, less an allowance for loan losses. We believe this allowance is at a level adequate to absorb estimated credit losses and was $2.6 million at June 30, 2016 and $2.7 million at December 31, 2015. We had 16% of our total investments in commercial mortgage loans at June 30, 2016 and 17% at December 31, 2015. In addition to the subject collateral underlying the mortgage, we typically require some amount of recourse from borrowers as another potential source of repayment. The recourse requirement is determined as part of the underwriting requirements of each loan. The average loan-to-value ratio for the overall portfolio was 47% at both June 30, 2016 and December 31, 2015. These ratios are based upon the current balance of loans relative to the appraisal of value at the time the loan was originated or acquired. Additionally, we may receive fees when borrowers prepay their mortgage loans. During the second quarter of 2016, the dollar volume of prepaid loans continued to increase, primarily due to lower interest rates.

We may refinance commercial mortgage loans prior to contractual maturity as a means of originating new loans that meet our underwriting and pricing parameters. We refinanced one loan with an outstanding balance of $0.6 million during the quarter ended June 30, 2016 and three loans with outstanding balances totaling $2.1 million during the quarter ended June 30, 2015. We refinanced four loans with outstanding balances of $7.1 million during the six months ended June 30, 2016 and six loans with outstanding balances of $6.7 million during the six months ended June 30, 2015. None of these refinancings were the result of troubled debt restructuring.

In the normal course of business, we commit to fund commercial mortgage loans generally up to 120 days in advance. These commitments typically have fixed expiration dates. A small percentage of commitments expire due to the borrower's failure to deliver the requirements of the commitment by the expiration date. In these cases, the Company retains the commitment fee. For additional information, please see Note 15 - Commitments, Contingent Liabilities, Guarantees, and Indemnifications.

4. Fair Value Measurements

Under GAAP, fair value represents the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. We maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements.

We follow the fair value hierarchy under existing GAAP requirements. We made no changes to our categories as disclosed in our Annual Report. Please refer to our Annual Report for the year ended December 31, 2015 for a full discussion of the fair value hierarchy and our policies regarding fair value measurements.

The following tables present the Company's fair value hierarchy for those assets and liabilities reported at fair value on a recurring basis.

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 12,400	$ 145,810	$ —	$ 158,210
Federal agencies [1]	—	20,903	—	20,903
Federal agency issued residential mortgage-backed securities [1]	—	33,734	—	33,734
Subtotal	12,400	200,447	—	212,847
Corporate obligations:				
Industrial	—	569,091	—	569,091
Energy	—	232,464	—	232,464
Communications and technology	—	257,350	—	257,350
Financial	—	219,528	—	219,528
Consumer	—	585,553	—	585,553
Public utilities	—	247,695	—	247,695
Subtotal	—	2,111,681	—	2,111,681
Corporate private-labeled residential mortgage-backed securities	—	64,604	—	64,604
Municipal securities	—	177,388	—	177,388
Other	—	101,040	598	101,638
Redeemable preferred stocks	—	15,146	—	15,146
Fixed maturity securities	12,400	2,670,306	598	2,683,304
Equity securities	5,375	20,182	—	25,557
Separate account assets	—	365,906	—	365,906
Total	$ 17,775	$ 3,056,394	$ 598	$ 3,074,767
Percent of total	1%	99%	—%	100%
Liabilities:				
Other policyholder funds				
Guaranteed minimum withdrawal benefits	$ —	$ —	$ 744	$ 744
Separate account liabilities	—	365,906	—	365,906
Total	$ —	$ 365,906	$ 744	$ 366,650

[1] Federal agency securities are not backed by the full faith and credit of the U.S. Government.

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 9,704	$ 146,421	$ —	$ 156,125
Federal agencies [1]	—	21,197	—	21,197
Federal agency issued residential mortgage-backed securities [1]	—	37,559	—	37,559
Subtotal	9,704	205,177	—	214,881
Corporate obligations:				
Industrial	—	544,509	—	544,509
Energy	—	227,019	—	227,019
Communications and technology	—	242,233	—	242,233
Financial	—	221,497	—	221,497
Consumer	—	549,301	—	549,301
Public utilities	—	240,299	—	240,299
Subtotal	—	2,024,858	—	2,024,858
Corporate private-labeled residential mortgage-backed securities	—	74,177	—	74,177
Municipal securities	—	152,849	—	152,849
Other	—	95,855	577	96,432
Redeemable preferred stocks	—	17,648	—	17,648
Fixed maturity securities	9,704	2,570,564	577	2,580,845
Equity securities	5,166	20,159	—	25,325
Separate account assets	—	372,924	—	372,924
Total	$ 14,870	$ 2,963,647	$ 577	$ 2,979,094
Percent of total	1%	99%	—%	100%
Liabilities:				
Other policyholder funds				
Guaranteed minimum withdrawal benefits	$ —	$ —	$ (2,778)	$ (2,778)
Separate account liabilities	—	372,924	—	372,924
Total	$ —	$ 372,924	$ (2,778)	$ 370,146

[1] Federal agency securities are not backed by the full faith and credit of the U.S. Government.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized below:

	Quarter Ended June 30, 2016	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ 650	$ (1,094)
Included in earnings	—	2,026
Included in other comprehensive income (loss)	98	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	124
Sales	—	—
Other dispositions	(150)	(312)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ 598	$ 744

	Quarter Ended June 30, 2015	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ 872	$ (2,843)
Included in earnings	2	(1,766)
Included in other comprehensive income (loss)	(44)	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	108
Sales	—	—
Other dispositions	(214)	(57)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ 616	$ (4,558)

	Six Months Ended June 30, 2016	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ 577	$ (2,778)
Included in earnings	—	3,860
Included in other comprehensive income (loss)	171	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	287
Sales	—	—
Other dispositions	(150)	(625)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ 598	$ 744

	Six Months Ended June 30, 2015	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ 759	$ (1,094)
Included in earnings	2	(3,315)
Included in other comprehensive income (loss)	69	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	190
Sales	—	—
Other dispositions	(214)	(339)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ 616	$ (4,558)

Depending upon the availability of Level 1 or Level 2 pricing, specific securities may transfer into or out of Level 3. We did not have any transfers between any levels at June 30, 2016 or December 31, 2015.

Level 3 instruments are primarily fixed maturity securities and totaled $0.6 million at both June 30, 2016 and December 31, 2015. These assets are valued using discounted cash flow models for which significant assumptions are not observable in the market.

The GMWB liability is sensitive to changes in observable and unobservable inputs. Observable inputs include risk-free rates, index returns, volatilities, and correlations. Increases in risk-free rates and equity returns reduce the liability, while increases in volatilities increase the liability. Unobservable inputs include mortality, lapse, benefit utilization, and nonperformance risk adjustments. Increases in mortality, lapses, and credit spreads used for nonperformance risk reduce the liability, while increases in benefit utilization increase the liability. Please refer to the Annual Report for the year ended December 31, 2015 for information regarding the valuation method for the GMWB liability and the unobservable inputs and ranges used in the valuation of those financial instruments. The valuation method, unobservable inputs, and ranges used had not materially changed at June 30, 2016.

Following are estimates of the impact from changes in unobservable inputs on the GMWB liability.

	June 30 2016	December 31 2015
	Increase/(Decrease) in millions	
A 10% increase in the mortality assumption	$ (0.2)	$ (0.1)
A 10% decrease in the lapse assumption	0.5	0.2
A 10% increase in the benefit utilization	1.2	0.7
A 10 basis point increase in the credit spreads used for non-performance	(0.5)	(0.3)

The following tables present a summary of fair value estimates for financial instruments. Assets and liabilities that are not financial instruments are not included in this disclosure. The total of the fair value calculations presented below may not be indicative of the value that can be obtained.

	June 30, 2016				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Fixed maturity securities available for sale	$ 12,400	$ 2,670,306	$ 598	$ 2,683,304	$ 2,683,304
Equity securities available for sale	5,375	20,182	—	25,557	25,557
Mortgage loans	—	—	591,920	591,920	568,348
Policy loans	—	—	79,792	79,792	79,792
Cash and short-term investments	63,778	—	—	63,778	63,778
Separate account assets	—	365,906	—	365,906	365,906
Liabilities:					
Individual and group annuities	—	—	1,055,814	1,055,814	1,074,135
Supplementary contracts and annuities without life contingencies	—	—	53,915	53,915	54,878
Separate account liabilities	—	365,906	—	365,906	365,906
Other policyholder funds - GMWB	—	—	744	744	744

	December 31, 2015				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Fixed maturity securities available for sale	$ 9,704	$ 2,570,564	$ 577	$ 2,580,845	$ 2,580,845
Equity securities available for sale	5,166	20,159	—	25,325	25,325
Mortgage loans	—	—	606,708	606,708	589,960
Policy loans	—	—	81,392	81,392	81,392
Cash and short-term investments	30,325	—	—	30,325	30,325
Separate account assets	—	372,924	—	372,924	372,924
Liabilities:					
Individual and group annuities	—	—	1,055,052	1,055,052	1,073,592
Supplementary contracts and annuities without life contingencies	—	—	52,636	52,636	54,136
Separate account liabilities	—	372,924	—	372,924	372,924
Other policyholder funds - GMWB	—	—	(2,778)	(2,778)	(2,778)

5. Financing Receivables

The Company has financing receivables that have a specific maturity date, either on demand or on a fixed or determinable date, that are recognized as assets in the Consolidated Balance Sheets.

The table below identifies financing receivables by classification amount.

	June 30 2016	December 31 2015
Receivables:		
Agent receivables, net (allowance $727; 2015 - $1,197)	$ 1,663	$ 1,602
Investment-related financing receivables:		
Mortgage loans, net (allowance $2,582; 2015 - $2,659)	568,348	589,960
Total financing receivables	$ 570,011	$ 591,562

The following table details the activity of the allowance for doubtful accounts on agent receivables. Any recoveries are included as deductions.

	June 30 2016	December 31 2015
Beginning of year	$ 1,197	$ 2,003
Additions	74	128
Deductions	(544)	(934)
End of period	$ 727	$ 1,197

The following table details the mortgage loan portfolio as collectively or individually evaluated for impairment.

	June 30 2016	December 31 2015
Mortgage loans collectively evaluated for impairment	$ 563,687	$ 585,207
Mortgage loans individually evaluated for impairment	7,243	7,412
Allowance for loan losses	(2,582)	(2,659)
Carrying value	$ 568,348	$ 589,960

The following table details the activity of the allowance for mortgage loan losses. Any recoveries are reflected as deductions.

	June 30 2016	December 31 2015
Beginning of year	$ 2,659	$ 1,914
Provision	(77)	745
Deductions	—	—
End of period	$ 2,582	$ 2,659

Agent Receivables

The Company has agent receivables that are classified as financing receivables. These trade receivables from agents are long-term in nature and are specifically assessed for collectibility and are reduced by an allowance for doubtful accounts.

The following table details the gross receivables, allowance, and net receivables for the two types of agent receivables.

	June 30, 2016			December 31, 2015		
	Gross Receivables	Allowance	Net Receivables	Gross Receivables	Allowance	Net Receivables
Agent specific loans	$ 940	$ 334	$ 606	$ 959	$ 314	$ 645
Other agent receivables	1,450	393	1,057	1,840	883	957
Total	$ 2,390	$ 727	$ 1,663	$ 2,799	$ 1,197	$ 1,602

Mortgage Loans

We classify our mortgage loan portfolio as long-term financing receivables.

The following table presents an aging schedule for delinquent payments for both principal and interest by property type.

		Amount of Payments Past Due			
	Book Value	30-59 Days	60-89 Days	> 90 Days	Total
June 30, 2016					
Industrial	$ —	$ —	$ —	$ —	$ —
Office	2,827	24	9	—	33
Medical	4,923	75	75	150	300
Other	—	—	—	—	—
Total	$ 7,750	$ 99	$ 84	$ 150	$ 333
December 31, 2015					
Industrial	$ —	$ —	$ —	$ —	$ —
Office	—	—	—	—	—
Medical	5,064	74	—	—	74
Other	—	—	—	—	—
Total	$ 5,064	$ 74	$ —	$ —	$ 74

There were three mortgage loans that were over 30 days past due at June 30, 2016. Subsequently, payment was received on one of these loans and it was brought current. There was one mortgage loan that was over 30 days past due at December 31, 2015. There was one loan with a $4.9 million balance that was placed on nonaccrual status at June 30, 2016.

Please refer to our Annual Report for the year ended December 31, 2015 for additional information regarding our mortgage loans.

6. Variable Interest Entities

We invest in certain affordable housing and real estate joint ventures (VIEs). These VIEs are included in Real Estate in the Consolidated Balance Sheets. Please refer to our Annual Report for the year ended December 31, 2015 for a full discussion of our VIEs.

We amortize the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognize the net investment performance in the Consolidated Statements of Comprehensive Income as a component of income tax expense. The tax credits reduce tax expense. We realized federal income tax credits related to these investments of $0.7 million in both the second quarters of 2016 and 2015. We realized federal income tax credits related to these investments of $1.4 million for both the six-month periods ended June 30, 2016 and June 30, 2015. We also recognized $0.4 million of amortization related to these investments in both the second quarters of 2016 and 2015. Amortization related to these investments was $0.8 million for both the six-month periods ended June 30, 2016 and June 30, 2015.

Investments in the affordable housing and real estate joint ventures are interests that absorb portions of the VIE's expected losses. These investments also receive portions of expected residual returns of the VIE's net assets exclusive of variable interests. We make an assessment of whether we are the primary beneficiary of a VIE at the time of the initial investment and on an ongoing basis thereafter.

The following table presents the carrying amount and maximum exposure to loss relating to VIEs for which we hold a variable interest, but are not the primary beneficiary, and which had not been consolidated at June 30, 2016 and December 31, 2015. The table includes investments in five real estate joint ventures and 21 affordable housing real estate joint ventures at June 30, 2016 and five real estate joint ventures and 22 affordable housing real estate joint ventures at December 31, 2015.

	June 30 2016		December 31 2015	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate joint ventures	$ 21,165	$ 21,165	$ 21,269	$ 21,269
Affordable housing real estate joint ventures	10,442	50,585	11,542	51,686
Total	$ 31,607	$ 71,750	$ 32,811	$ 72,955

The maximum exposure to loss relating to the real estate joint ventures and affordable housing real estate joint ventures is equal to the carrying amounts plus any unfunded equity commitments, exposure to potential recapture of tax credits, guarantees of debt, or other obligations of the VIE with recourse. Unfunded equity and loan commitments typically require financial or operating performance by other parties and have not yet become due or payable but which may become due in the future.

At June 30, 2016 and December 31, 2015, we had no mortgage loan or equity commitments outstanding to the real estate joint venture VIEs. We have contingent commitments to fund additional equity contributions for operating support to certain real estate joint venture VIEs, which could result in additional exposure to loss. However, we are unable to quantify the amount of these contingent commitments.

In addition, the maximum exposure to loss on affordable housing joint ventures at June 30, 2016 included $29.7 million of losses which could be realized if the tax credits received by the VIEs were recaptured, compared to $28.6 million at December 31, 2015. Recapture events would cause us to reverse some or all of the benefit previously recognized by us or third parties to whom the tax credit interests were transferred. A recapture event can occur at any time during a 15-year required compliance period. The principal causes of recapture include financial default and non-compliance with affordable housing program requirements by the properties controlled by the VIE. Guarantees from the managing member or managing partner in the VIE, insurance contracts, or changes in the residual value accruing to our interests in the VIEs. VIEs may mitigate the potential exposure due to recapture.

7. Separate Accounts

Separate account assets and liabilities arise from the sale of variable universal life insurance and variable annuity products. The separate account represents funds segregated for the benefit of certain policyholders who bear the investment risk. The assets are legally segregated and are not subject to claims which may arise from any other business of the Company. The separate account assets and liabilities, which are equal, are recorded at fair value based upon the net asset value (NAV) of the underlying investment holdings as derived from closing prices on a national exchange or as provided by the issuer. Policyholder account deposits and withdrawals, investment income, and realized investment gains and losses are excluded from the amounts reported in the Consolidated Statements of Comprehensive Income. Revenues from separate accounts consist principally of contract charges, which include maintenance charges, administrative fees, and mortality and expense charges.

We have a GMWB rider that can be added to new or existing variable annuity contracts. The value of the separate accounts with the GMWB rider is recorded at fair value of $114.5 million at June 30, 2016. The fair value of the separate accounts with the GMWB rider was $118.0 million at December 31, 2015. The GMWB guarantee liability was $0.7 million at June 30, 2016 and $(2.8) million at December 31, 2015. The change in this value is included in Policyholder Benefits in the Consolidated Statements of Comprehensive Income. The value of variable annuity separate accounts with the GMWB rider is recorded in Separate Account Liabilities, and the value of the rider is included in Other Policyholder Funds in the Consolidated Balance Sheets.

We have two blocks of variable universal life policies and variable annuity contracts from which we receive fees. The fees are based upon both specific transactions and the fund value of the blocks of policies. We have a direct block of ongoing business identified in the Consolidated Balance Sheets as separate account assets, totaling $365.9 million at June 30, 2016 and $372.9

million at December 31, 2015, and corresponding separate account liabilities of an equal amount. The fixed-rate funds for these policies are included in our general account as Future Policy Benefits. In addition, we have an assumed closed block of business that totaled $283.7 million at June 30, 2016 and $292.4 million at December 31, 2015. As required under modified coinsurance transaction accounting, the assumed separate account fund balances are not recorded as separate accounts on our consolidated financial statements. Rather, the assumed fixed-rate funds for these policies are included in our general account as Future Policy Benefits. The Future Policy Benefits for the direct block approximated $0.5 million at both June 30, 2016 and December 31, 2015. The Future Policy Benefits for the assumed block approximated $0.6 million at both June 30, 2016 and December 31, 2015.

8. Debt

We had no notes payable at June 30, 2016 or December 31, 2015.

As a member of the Federal Home Loan Bank of Des Moines (FHLB) with a capital investment of $4.8 million at June 30, 2016, we have the ability to borrow on a collateralized basis from the FHLB. We received an insignificant amount of dividends on the capital investment in both the second quarters and six months of 2016 and 2015.

We have unsecured revolving lines of credit with two major commercial banks. The lines of credit available totaled $70.0 million at June 30, 2016 and December 31, 2015, with no balances outstanding. The lines of credit are at variable interest rates based upon short-term indices, and they will mature in June of 2017. We anticipate renewing these lines as they come due.

9. Income Taxes

The following table provides a reconciliation of the federal income tax rate to our effective income tax rate.

	Quarter Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Federal income tax rate	35 %	35 %	35 %	35 %
Tax credits, net of equity adjustment	(4)%	(3)%	(5)%	(3)%
Permanent differences and other	(1)%	(2)%	1 %	(2)%
Effective income tax rate	30 %	30 %	31 %	30 %

The following table provides information about taxes paid.

	Quarter Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Cash paid for income taxes	$ 500	$ —	$ 1,500	$ 2,000

We had no material uncertain tax positions at June 30, 2016 or December 31, 2015.

At June 30, 2016, we had a current tax liability of $1.5 million and a $84.5 million net deferred tax liability, compared to a $0.5 million current tax asset and a $59.2 million net deferred tax liability at December 31, 2015.

10. Pensions and Other Postemployment Benefits (OPEB)

The following table provides the components of net periodic benefit cost.

	Pension Benefits		OPEB	
	Quarter Ended June 30		Quarter Ended June 30	
	2016	2015	2016	2015
Service cost	$ —	$ —	$ 129	$ 171
Interest cost	1,333	1,356	363	351
Expected return on plan assets	(2,350)	(2,480)	—	—
Amortization of:				
Unrecognized actuarial net loss	662	601	24	118
Unrecognized prior service credit	—	—	(244)	(287)
Net periodic benefit cost (credit)	$ (355)	$ (523)	$ 272	$ 353

	Pension Benefits		OPEB	
	Six Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Service cost	$ —	$ —	$ 259	$ 342
Interest cost	2,666	2,712	726	702
Expected return on plan assets	(4,701)	(4,960)	—	—
Amortization of:				
Unrecognized actuarial net loss	1,324	1,201	48	236
Unrecognized prior service credit	—	—	(488)	(574)
Net periodic benefit cost (credit)	$ (711)	$ (1,047)	$ 545	$ 706

11. Share-Based Payment

We have an omnibus incentive plan that includes a long-term incentive benefit for senior management. The plan design includes a cash award to participants that may be paid, in part, based on the increase in the share price of our common stock through units (phantom shares) assigned by the Board of Directors. Please refer to our 2015 Annual Report for additional information regarding this plan.

During the first six months of 2016, the plan made payments totaling $1.7 million for the three-year interval ended December 31, 2015. During the first six months of 2015, the plan made payments totaling $3.8 million for the three-year interval ended December 31, 2014.

At each reporting period, an estimate of the share-based compensation expense is accrued, utilizing the share price at the period end. The cost of share-based compensation, net of tax, accrued as an operating expense was $0.1 million in the second quarter of 2016 and less than $0.1 million in the second quarter of 2015. The cost of share-based compensation, net of tax, that increased operating expense was $0.1 million for the six months ended June 30, 2016. The change in accrual for share-based compensation, net of tax, that reduced operating expense was $0.1 million for the six months ended June 30, 2015.

12. Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income and other comprehensive income (loss). Other comprehensive income (loss) includes the unrealized investment gains or losses on securities available for sale (net of reclassifications for realized investment gains or losses), net of adjustments to DAC, VOBA, DRL, future policy benefits, and policyholder account balances. In addition, other comprehensive income (loss) includes the change in the liability for benefit plan obligations. Other comprehensive income (loss) reflects these items net of tax.

The following tables provide information about comprehensive income (loss).

	Quarter Ended June 30, 2016		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized gains arising during the period:			
Fixed maturity securities	$ 43,236	$ 15,132	$ 28,104
Equity securities	837	293	544
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	707	247	460
Other-than-temporary impairment losses recognized in earnings	(546)	(191)	(355)
Other-than-temporary impairment losses recognized in other comprehensive income	(27)	(10)	(17)
Net unrealized gains excluding impairment losses	43,939	15,379	28,560
Effect on DAC, VOBA, and DRL	(3,447)	(1,207)	(2,240)
Future policy benefits	(6,997)	(2,449)	(4,548)
Policyholder account balances	(341)	(119)	(222)
Other comprehensive income	$ 33,154	$ 11,604	$ 21,550
Net income			5,242
Comprehensive income			$ 26,792

	Quarter Ended June 30, 2015		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized losses arising during the period:			
Fixed maturity securities	$ (57,702)	$ (20,196)	$ (37,506)
Equity securities	(420)	(147)	(273)
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	2,334	817	1,517
Other-than-temporary impairment losses recognized in earnings	(1,770)	(619)	(1,151)
Other-than-temporary impairment losses recognized in other comprehensive loss	(155)	(55)	(100)
Net unrealized losses excluding impairment losses	(58,531)	(20,486)	(38,045)
Effect on DAC, VOBA, and DRL	7,488	2,621	4,867
Future policy benefits	6,369	2,230	4,139
Policyholder account balances	379	132	247
Other comprehensive loss	$ (44,295)	$ (15,503)	$ (28,792)
Net income			10,899
Comprehensive loss			$ (17,893)

	Six Months Ended June 30, 2016		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized gains arising during the period:			
Fixed maturity securities	$ 95,140	$ 33,299	$ 61,841
Equity securities	950	333	617
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	2,120	742	1,378
Other-than-temporary impairment losses recognized in earnings	(563)	(197)	(366)
Other-than-temporary impairment losses recognized in other comprehensive income	(34)	(12)	(22)
Net unrealized gains excluding impairment losses	94,567	33,099	61,468
Effect on DAC, VOBA, and DRL	(7,527)	(2,635)	(4,892)
Future policy benefits	(14,174)	(4,961)	(9,213)
Policyholder account balances	(570)	(199)	(371)
Other comprehensive income	$ 72,296	$ 25,304	$ 46,992
Net income			9,499
Comprehensive income			$ 56,491

	Six Months Ended June 30, 2015		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized losses arising during the period:			
Fixed maturity securities	$ (31,714)	$ (11,101)	$ (20,613)
Equity securities	(27)	(9)	(18)
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	2,454	859	1,595
Other-than-temporary impairment losses recognized in earnings	(1,770)	(619)	(1,151)
Other-than-temporary impairment losses recognized in other comprehensive loss	(162)	(57)	(105)
Net unrealized losses excluding impairment losses	(32,263)	(11,293)	(20,970)
Effect on DAC, VOBA, and DRL	5,865	2,053	3,812
Future policy benefits	1,770	620	1,150
Policyholder account balances	229	80	149
Other comprehensive loss	$ (24,399)	$ (8,540)	$ (15,859)
Net income			17,677
Comprehensive income			$ 1,818

The following table provides accumulated balances related to each component of accumulated other comprehensive income (loss) at June 30, 2016, net of tax.

	Unrealized Gain (Loss) on Non-Impaired Securities	Unrealized Gain (Loss) on Impaired Securities	Benefit Plan Obligations	DAC/ VOBA/ DRL Impact	Future Policy Benefits	Policyholder Account Balances	Total
Beginning of year	$ 59,163	$ 3,085	$ (53,600)	$ (11,069)	$ (12,493)	$ (296)	$ (15,210)
Other comprehensive income (loss) before reclassification	60,670	(192)	—	(4,837)	(9,213)	(371)	46,057
Amounts reclassified from accumulated other comprehensive income (loss)	1,378	(388)	—	(55)	—	—	935
Net current-period other comprehensive income (loss)	62,048	(580)	—	(4,892)	(9,213)	(371)	46,992
End of period	$ 121,211	$ 2,505	$ (53,600)	$ (15,961)	$ (21,706)	$ (667)	$ 31,782

The following table provides accumulated balances related to each component of accumulated other comprehensive income (loss) at December 31, 2015, net of tax.

	Unrealized Gain (Loss) on Non-Impaired Securities	Unrealized Gain (Loss) on Impaired Securities	Benefit Plan Obligations	DAC/ VOBA/ DRL Impact	Future Policy Benefits	Policyholder Account Balances	Total
Beginning of year	$ 110,362	$ 3,141	$ (53,964)	$ (18,521)	$ (17,406)	$ (572)	$ 23,040
Other comprehensive income (loss) before reclassification	(53,180)	1,556	364	7,477	4,913	276	(38,594)
Amounts reclassified from accumulated other comprehensive income (loss)	1,981	(1,612)	—	(25)	—	—	344
Net current-period other comprehensive income (loss)	(51,199)	(56)	364	7,452	4,913	276	(38,250)
End of year	$ 59,163	$ 3,085	$ (53,600)	$ (11,069)	$ (12,493)	$ (296)	$ (15,210)

The following table presents the pre-tax and the related income tax benefit (expense) components of the amounts reclassified from accumulated other comprehensive income (loss) to the Consolidated Statements of Comprehensive Income.

	Quarter Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Reclassification adjustments related to unrealized gains (losses) on investment securities:				
Net realized investment gains, excluding impairment losses[1]	$ 707	$ 2,334	$ 2,120	$ 2,454
Income tax expense [2]	(247)	(817)	(742)	(859)
Net of taxes	460	1,517	1,378	1,595
Other-than-temporary impairment losses[1]	(573)	(1,925)	(597)	(1,932)
Income tax benefit [2]	201	674	209	676
Net of taxes	(372)	(1,251)	(388)	(1,256)
Reclassification adjustment related to DAC, VOBA, and DRL [1]	(42)	(18)	(85)	(21)
Income tax benefit [2]	15	6	30	7
Net of taxes	(27)	(12)	(55)	(14)
Total pre-tax reclassifications	92	391	1,438	501
Total income tax expense	(31)	(137)	(503)	(176)
Total reclassification, net taxes	$ 61	$ 254	$ 935	$ 325

[1] (Increases) decreases net realized investment gains (losses) on the Consolidated Statements of Comprehensive Income.

[2] (Increases) decreases income tax expense on the Consolidated Statements of Comprehensive Income.

13. Earnings Per Share

Due to our capital structure and the absence of other potentially dilutive securities, there is no difference between basic and diluted earnings per common share for any of the periods reported. The average number of shares outstanding were 9,683,414 for the quarter ended June 30, 2016 and 10,707,363 for the quarter ended June 30, 2015. The average number of shares outstanding were 9,683,414 for the six months ended June 30, 2016 and 10,754,922 for the six months ended June 30, 2015. The number of shares outstanding at both June 30, 2016 and December 31, 2015 was 9,683,414.

14. Segment Information

The following schedules provide selected financial statement items for each of our operating segments. Intercompany transactions have been eliminated to arrive at Consolidated Statements of Comprehensive Income.

	Quarter Ended June 30, 2016			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 33,424	$ 14,220	$ 21,039	$ 68,683
Interest credited to policyholder account balances	18,130	—	—	18,130
Amortization of deferred acquisition costs	(1,753)	—	3,953	2,200
Income tax expense	1,771	39	470	2,280
Segment net income	4,279	74	889	5,242

	Quarter Ended June 30, 2015			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 32,943	$ 13,576	$ 19,766	$ 66,285
Interest credited to policyholder account balances	18,590	—	—	18,590
Amortization of deferred acquisition costs	(1,193)	—	3,151	1,958
Income tax expense (benefit)	4,109	(272)	820	4,657
Segment net income (loss)	9,868	(502)	1,533	10,899

	Six Months Ended June 30, 2016			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 69,070	$ 28,498	$ 41,640	$ 139,208
Interest credited to policyholder account balances	36,150	—	—	36,150
Amortization of deferred acquisition costs	3,200	—	8,559	11,759
Income tax expense (benefit)	4,274	(74)	56	4,256
Segment net income (loss)	9,531	(136)	104	9,499

	Six Months Ended June 30, 2015			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 69,215	$ 27,188	$ 39,250	$ 135,653
Interest credited to policyholder account balances	37,029	—	—	37,029
Amortization of deferred acquisition costs	2,867	—	7,475	10,342
Income tax expense (benefit)	7,146	(77)	332	7,401
Segment net income (loss)	17,200	(142)	619	17,677

15. Commitments, Contingent Liabilities, Guarantees, and Indemnifications

Commitments

In the normal course of business, we have open purchase and sale commitments. At June 30, 2016, we had purchase commitments to fund mortgage loans of $68.3 million. We also had two contracts to sell real estate for $2.8 million.

After June 30, 2016, we entered into commitments to fund additional mortgage loans of $6.6 million.

Contingent Liabilities, Guarantees, and Indemnifications

Please refer to our Annual Report for the year ended December 31, 2015 for information regarding our contingent liabilities, guarantees, and indemnifications. There have been no significant changes to these items during the quarter or six months ended June 30, 2016.

16. Subsequent Events

The Company evaluated events that occurred subsequent to June 30, 2016 through July 28, 2016, the date the consolidated financial statements were issued.

On July 25, 2016, the Kansas City Life Board of Directors declared a quarterly dividend of $0.27 per share, payable on August 10, 2016 to stockholders of record on August 4, 2016.

There have been no other subsequent events that occurred during such period that require disclosure in, or adjustment to, the consolidated financial statements as of and for the quarter and six months ended June 30, 2016.