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 MARCH 31, 2018

ISSUER'S EQUITY SECURITIES

Common Stock
Par Value $1.25 per Share
36,000,000 Shares Authorized
9,683,414 Shares Outstanding as of March 31, 2018

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 and retention of 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 can be 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:	A. Craig Mason Jr. Secretary Telephone: (816) 753-7000 ext. 8308 Email: Communications@*kclife.com*

Item 2. Shares Outstanding

Common Stock

	March 31, 2018
Number of Shares Authorized	36,000,000
Number of Shares Outstanding	9,683,414
Freely Tradable Shares (Public Float)	2,511,914
Total Number of Shareholders of Record	159

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 March 31, 2018 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 and the accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The 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 2017 Annual Report, which is available on the OTCQX website (*www.otcmarkets.com/stock/KCLI/filings*). The interim consolidated financial statements and the accompanying notes for the quarters ended March 31, 2018 and 2017 are unaudited. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

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, liquidity, 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. We also have non-insurance subsidiaries that individually and collectively are not material.

The following is a discussion and analysis of the results of operations for the quarters ended March 31, 2018 and 2017 and our financial condition at March 31, 2018. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in this document, as well as our 2017 Annual Report.

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;
- 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, which often can be extreme in nature, can significantly impact the financial markets and our investments, revenues, and policyholder benefits. 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 persist into the future, affecting our financial position and financial statements.

Consolidated Results of Operations

Summary of Results

We earned net income of $1.5 million in the first quarter of 2018 compared to $5.2 million in the first quarter of 2017. Net income per share was $0.15 in the first quarter of 2018 versus $0.53 in the same period in the prior year.

The following table presents condensed consolidated results of operations for the quarters ended March 31, 2018 and 2017.

	Quarter Ended March 31		
	2018	2017	% Change
Revenues:			
Insurance and other revenues	$ 74,550	$ 73,578	1 %
Net investment income	34,866	37,178	(6)%
Net investment gains	88	481	(82)%
Benefits and expenses:			
Policyholder benefits and interest credited to policyholder account balances	71,913	72,366	(1)%
Amortization of deferred acquisition costs	10,116	8,145	24 %
Operating expenses	25,732	23,472	10 %
Income tax expense	281	2,086	(87)%
Net income	$ 1,462	$ 5,168	(72)%

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. Insurance revenues are impacted by the level of new sales, the type of products sold, the persistency of policies, general economic conditions, and competitive forces.

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

	Quarter Ended March 31		
	2018	2017	% Change
New premiums:			
Traditional life insurance	$ 5,068	$ 5,182	(2)%
Immediate annuities	5,346	6,475	(17)%
Group life insurance	709	811	(13)%
Group accident and health insurance	2,992	2,824	6 %
Total new premiums	14,115	15,292	(8)%
Renewal premiums	44,759	42,944	4 %
Total premiums	58,874	58,236	1 %
Reinsurance ceded	(14,462)	(14,053)	3 %
Net premiums	$ 44,412	$ 44,183	1 %

Consolidated total premiums increased $0.6 million or 1% in the first quarter of 2018 compared with the first quarter of 2017, as a $1.8 million or 4% increase in renewal premiums was partially offset by a $1.2 million or 8% decline in new premiums. The decline in new premiums largely resulted from a $1.1 million or 17% decline in new immediate annuity premiums. The improvement in renewal premiums was largely due to a $1.3 million or 5% increase in renewal traditional life insurance premiums. This increase was primarily from the Old American segment, reflecting the growth noted over the past several years. In addition, renewal group accident and health insurance premiums increased $0.4 million or 3%, largely from the disability lines.

Deposits related to interest sensitive life (universal life, indexed universal life, and variable universal life), fixed annuity contracts, and variable annuities are not recorded as revenue. Revenues from such contracts consist of amounts assessed on policyholder account balances for mortality, policy administration, and surrender charges, and are recognized as contract charges in the Consolidated Statements of Comprehensive Income. The following table provides detail by new and renewal deposits. New deposits are also detailed by product.

	Quarter Ended March 31		
	2018	2017	% Change
New deposits:			
Interest sensitive life	$ 1,878	$ 3,767	(50)%
Fixed annuities	12,728	14,258	(11)%
Variable annuities	5,214	2,019	158 %
Total new deposits	19,820	20,044	(1)%
Renewal deposits	34,240	36,750	(7)%
Total deposits	$ 54,060	$ 56,794	(5)%

General economic conditions and interest rates available in the marketplace influence new deposits on interest sensitive products. In addition, fluctuations in the equity markets can 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 between periods.

Total new deposits decreased $0.2 million or 1% in the first quarter of 2018 compared with the first quarter of 2017, as new fixed annuity deposits declined $1.5 million or 11% and new interest sensitive life deposits decreased $1.9 million or 50%. Mostly offsetting these decreases was a $3.2 million or 158% increase in new variable annuity deposits. Total renewal deposits decreased $2.5 million or 7% in the first quarter of 2018 compared to the prior year. This was largely due to a $2.3 million or 35% decline in renewal fixed annuity deposits and a $0.5 million or 8% decrease in renewal variable universal life deposits.

Contract charges result from charges and fees on interest-sensitive and deposit-type products. Contract charges consist of cost of insurance, expense loads, the amortization of unearned revenues, and surrender charges on policyholder account balances. We maintain both open blocks 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 decline over time.

Total contract charges increased $0.8 million or 3% in the first quarter of 2018 compared to one year earlier. Contract charges on open blocks increased $1.1 million or 7% and contract charges on closed blocks decreased $0.3 million or 3% in the first quarter of 2018 compared to the prior year. The largest factor in the increase in contract charges on open blocks was the recognition of higher deferred revenue, which resulted from improved mortality. The decline in contract charges on closed blocks reflected the runoff of the business.

Total contract charges on closed blocks equaled 38% of total consolidated contract charges during the first quarter of 2018, down from 40% during the first quarter of 2017.

Investment Revenues
Gross investment income decreased $1.9 million or 5% in the first quarter of 2018 compared with the first quarter of 2017. This decline reflected lower overall yields earned and available on certain investments that were partially offset by higher average invested assets. In addition, investment expenses increased $0.4 million or 10%, primarily due to an increase in real estate expenses.

Fixed maturity securities provide a majority of our investment income. Fixed maturity securities comprised 72% of total investments at both March 31, 2018 and December 31, 2017. Income from these investments declined $1.9 million or 7% in the first quarter of 2018 compared to the prior year. Despite higher average invested assets compared to the prior year, lower yields earned offset the growth from the expanded asset base.

Investment income from commercial mortgage loans increased $0.2 million or 2% in the first quarter of 2018 compared to the first quarter of 2017. This increase resulted from a higher average mortgage loan portfolio balance and higher yields earned compared to the prior year.

Net investment gains for the first quarter of 2018 totaled $0.1 million, compared to $0.5 million in the first quarter of 2017. These net investment gains were largely from sales, tenders, and calls of investment securities.

Policyholder Benefits

Policyholder benefits, net of reinsurance, 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 and policyholder account balances. 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 decreased $0.5 million or 1% in the first quarter of 2018 compared to the prior year. This decline primarily resulted from a $0.7 million decrease in benefits, net of reinsurance, which included a $1.6 million decrease in surrenders and other benefits offset by a $0.9 million increase in death benefits compared to the prior year. The overall decline in benefits, net of reinsurance, and continued growth of the traditional life block within the Old American segment contributed to a $0.2 million or 14% increase in benefit and contract reserves.

Amortization of DAC

The amortization of DAC increased $2.0 million or 24% in the first quarter of 2018 compared to the prior year. This increase largely resulted from increased policyholder benefits and lower investment performance in the separate accounts during the first quarter of 2018.

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 operations, the amortization of VOBA, and other expenses. In total, operating expenses increased $2.3 million or 10% in the first quarter of 2018 compared to the same period in 2017. This increase was largely due to an increase in the allowance for doubtful accounts on agent receivables and to higher legal fees and guarantee assessments.

Income Taxes

We recorded income tax expense of $0.3 million or 16% of income before tax in the first quarter of 2018, compared to income tax expense of $2.1 million or 29% of income before tax in the first quarter of 2017. The decrease in the effective tax rate was primarily due to the Tax Cuts and Jobs Act of 2017 (the TCJA). The first quarter 2018 statutory rate versus effective rate differences were larger than usual due to the variance in actual versus assumed pretax results. The TCJA lowered the corporate federal income tax rate from 35% to 21% beginning on January 1, 2018.

The effective income tax rate was lower than the prevailing corporate federal income tax rate of 21% and 35% in the first quarters of 2018 and 2017, respectively. The lower effective income tax rates were primarily due to tax credits from affordable housing investments and permanent differences, which includes the dividends received deduction. For additional information, please see Note 10 - Income Taxes.

Analysis of Investments

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

The following table provides asset class detail of the investment portfolio.

	March 31 2018	% of Total	December 31 2017	% of Total
Fixed maturity securities	$ 2,486,563	72%	$ 2,535,064	72%
Equity securities	20,694	1%	20,770	1%
Mortgage loans	639,669	18%	649,542	18%
Real estate	194,366	6%	193,219	6%
Policy loans	77,460	2%	78,175	2%
Short-term investments	19,808	1%	32,195	1%
Other investments	1,938	—	2,424	—
Total	$ 3,440,498	100%	$ 3,511,389	100%

Fixed maturity securities were the largest component of total investments at March 31, 2018 and December 31, 2017. The largest categories of fixed maturity securities at both March 31, 2018 and December 31, 2017 consisted of 80% in corporate obligations, 8% in municipal securities, and 5% in U.S. Treasury securities and other obligations of the U.S. Government.

We use actual or equivalent Standard & Poor's ratings to determine the investment grading of fixed maturity securities. Our fixed maturity securities that were rated investment grade represented 97% of total securities at March 31, 2018 and December 31, 2017.

The fair value of fixed maturity securities with unrealized losses was $1.1 billion at March 31, 2018 compared with $497.5 million at December 31, 2017. This increase primarily reflected changes in interest rates and market spreads during 2018. At March 31, 2018, 97% of security investments with an unrealized loss were investment grade and accounted for 91% of the total unrealized losses. At December 31, 2017, 94% of securities with an unrealized loss were investment grade and accounted for 71% of the total unrealized losses.

At March 31, 2018, we had $68.4 million in gross unrealized gains on fixed maturity securities that offset gross unrealized losses of $33.3 million. At December 31, 2017, we had $105.1 million in gross unrealized gains on fixed maturity and equity securities that offset $10.9 million in gross unrealized losses. At March 31, 2018, 44% of the fixed maturity securities portfolio had unrealized gains, a decrease from 80% at December 31, 2017. We had an increase in gross unrealized losses in most categories from December 31, 2017 to March 31, 2018 due to changes in interest rates and market spreads during 2018. Gross unrealized losses on fixed maturity securities for less than 12 months accounted for $21.3 million or 64% of the security values in a gross unrealized loss position at March 31, 2018 compared to $2.6 million or 24% at December 31, 2017. Gross unrealized losses on fixed maturity security investments of 12 months or longer increased from $8.3 million at December 31, 2017 to $12.0 million at March 31, 2018.

Residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade were 34% of the total mortgage-backed and asset-backed securities at March 31, 2018 compared to 36% at December 31, 2017.

We have written down certain investments in previous periods. Fixed maturity securities written down and still owned at March 31, 2018 and December 31, 2017 were not material. 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 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 2018 or 2017.

Investments in mortgage loans totaled $639.7 million at March 31, 2018, down from $649.5 million at December 31, 2017. The commercial mortgage loan portfolio decreased $9.9 million during the first quarter of 2018, as regularly scheduled payments and the volume of prepaid loans exceeded new loans. Mortgage loan fundings decreased $17.5 million in the first quarter of 2018 compared to the prior year. This decrease was largely the result of maintaining strict underwriting standards to support our portfolio restrictions and competition from other lenders. Our mortgage loans are secured by commercial real estate. These loans are stated at the outstanding principal balance, adjusted for amortization of premium and accretion of discount, less an allowance for loan losses. We believe this allowance is at a level adequate to absorb estimated credit losses and was $4.0 million at March 31, 2018 and $4.1 million at December 31, 2017.

Investments in real estate totaled $194.4 million at March 31, 2018 and $193.2 million at December 31, 2017.

Liquidity and Capital Resources

Liquidity

Statements made in our 2017 Annual Report remain pertinent, as our liquidity position is materially unchanged from year-end 2017.

Net cash used by operating activities was $8.5 million for the quarter ended March 31, 2018. The primary sources of cash from operating activities in the first quarter of 2018 were premium receipts and net investment income. The primary uses of cash from operating activities in the first quarter of 2018 were for the payment of policyholder benefits and operating expenses. Net cash provided by investing activities was $12.4 million. The primary sources of cash from investing activities were sales, maturities, calls, and principal paydowns of investments totaling $93.8 million. Investment purchases, including new mortgage loans and new policy loans, totaled $93.1 million. In addition, net sales of short-term investments totaled $12.4 million. Net cash from financing activities was $0.4 million, including $1.2 million of net transfers from separate accounts, $1.0 million change in other deposits, and $0.7 million of deposits, net of withdrawals, on policyholder account balances. These were partially offset by the payment of $2.6 million in stockholder dividends.

Capital Resources

We believe existing capital resources provide adequate support for the current level of business activities, as identified in the following table.

	March 31 2018	December 31 2017
Total assets, excluding separate accounts	$ 4,055,846	$ 4,110,858
Total stockholders' equity	703,155	737,155
Ratio of stockholders' equity to assets, excluding separate accounts	17%	18%

Stockholders' equity decreased $34.0 million from year-end 2017, primarily due to a decrease in net unrealized gains. This decrease largely reflected fluctuations in the fair value of certain investments. Stockholders' equity per share, or book value, equaled $72.61 at March 31, 2018, a decrease from $76.13 at year-end 2017.

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 $14.8 million at March 31, 2018, a $34.0 million decrease from December 31, 2017. Included in this total is a $1.2 million reclassification associated with the adoption of ASU No. 2016-01. For additional information, please see Note 2 - New Accounting Pronouncements.

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.

In January 2018, the Board of Directors authorized the purchase of up to one million of our shares on the open market through January 2019. No shares were purchased under this authorization during the first quarter of 2018.

On April 23, 2018, the Board of Directors declared a quarterly dividend of $0.27 per share payable on May 9, 2018 to stockholders of record on May 3, 2018.

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, Guarantees, and Indemnifications" in Note 16 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: April 26, 2018

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

I, Philip A. Williams, 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: April 26, 2018

/s/ Philip A. Williams
Philip A. Williams
Senior Vice President, Finance

Exhibit 3.1 Interim Consolidated Financial Statements

Amounts in thousands, except share data, security counts, or as otherwise noted.

Kansas City Life Insurance Company
Consolidated Balance Sheets

	March 31 2018 (Unaudited)	December 31 2017
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value	$ 2,486,563	$ 2,535,064
Equity securities available for sale, at fair value	20,694	20,770
Mortgage loans	639,669	649,542
Real estate	194,366	193,219
Policy loans	77,460	78,175
Short-term investments	19,808	32,195
Other investments	1,938	2,424
Total investments	3,440,498	3,511,389
Cash	13,734	9,504
Accrued investment income	31,896	31,119
Deferred acquisition costs	283,779	277,182
Reinsurance recoverables	187,874	185,647
Other assets	98,065	96,017
Separate account assets	414,618	419,812
Total assets	$ 4,470,464	$ 4,530,670
LIABILITIES		
Future policy benefits	$ 946,706	$ 953,239
Policyholder account balances	2,046,422	2,051,311
Policy and contract claims	41,433	36,503
Other policyholder funds	175,320	172,850
Other liabilities	142,810	159,800
Separate account liabilities	414,618	419,812
Total liabilities	3,767,309	3,793,515
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	908,044	908,022
Accumulated other comprehensive income (loss)	(27,734)	6,288
Treasury stock, at cost (2018 and 2017 - 8,813,266 shares)	(241,301)	(241,301)
Total stockholders' equity	703,155	737,155
Total liabilities and stockholders' equity	$ 4,470,464	$ 4,530,670

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Kansas City Life Insurance Company
Consolidated Statements of Comprehensive Income

	Quarter Ended March 31	
	2018	2017
	(Unaudited)	
REVENUES		
Insurance revenues:		
Net premiums	$ 44,412	$ 44,183
Contract charges	28,565	27,791
Total insurance revenues	72,977	71,974
Investment revenues:		
Net investment income	34,866	37,178
Net investment gains	88	481
Total investment revenues	34,954	37,659
Other revenues	1,573	1,604
Total revenues	109,504	111,237
BENEFITS AND EXPENSES		
Policyholder benefits	53,841	54,356
Interest credited to policyholder account balances	18,072	18,010
Amortization of deferred acquisition costs	10,116	8,145
Operating expenses	25,732	23,472
Total benefits and expenses	107,761	103,983
Income before income tax expense	1,743	7,254
Income tax expense	281	2,086
NET INCOME	$ 1,462	$ 5,168
COMPREHENSIVE INCOME (LOSS), NET OF TAXES		
Change in net unrealized gains (losses) on securities available for sale	$ (45,431)	$ 3,618
Effect on DAC, VOBA, and DRL	5,598	114
Change in future policy benefits	6,907	(309)
Change in policyholder account balances	78	(17)
Other comprehensive income (loss)	(32,848)	3,406
COMPREHENSIVE INCOME (LOSS)	$ (31,386)	$ 8,574
Basic and diluted earnings per share:		
Net income	$ 0.15	$ 0.53

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Kansas City Life Insurance Company
Consolidated Statements of Cash Flows

	Quarter Ended March 31 2018	Quarter Ended March 31 2017
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$ 1,462	$ 5,168
Adjustments to reconcile net income to net cash used by operating activities:		
Amortization of investment premium and discount	825	744
Depreciation	1,247	1,433
Acquisition costs capitalized	(9,951)	(10,071)
Amortization of deferred acquisition costs	10,116	8,145
Net investment gains	(88)	(481)
Changes in assets and liabilities:		
Reinsurance recoverables	(2,227)	(3,041)
Future policy benefits	2,211	582
Policyholder account balances	(6,951)	(8,844)
Income taxes payable and deferred	285	1,086
Other, net	(5,462)	2,060
Net cash used	(8,533)	(3,219)
INVESTING ACTIVITIES		
Purchases:		
Fixed maturity securities	(69,361)	(46,017)
Mortgage loans	(8,008)	(23,112)
Real estate	(2,592)	(1,665)
Policy loans	(12,730)	(2,822)
Other investments	(420)	(252)
Sales or maturities, calls, and principal paydowns:		
Fixed maturity securities	61,720	38,807
Equity securities	34	7
Mortgage loans	17,912	24,411
Policy loans	13,446	3,769
Other investments	698	383
Net sales of short-term investments	12,387	3,407
Acquisition of property and equipment	(718)	(802)
Net cash provided (used)	12,368	(3,886)

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

	Quarter Ended March 31	
	2018	2017
	(Unaudited)	
FINANCING ACTIVITIES		
Deposits on policyholder account balances	$ 54,060	$ 56,794
Withdrawals from policyholder account balances	(53,311)	(47,731)
Net transfers from separate accounts	1,223	1,299
Change in other deposits	1,038	(1,139)
Cash dividends to stockholders	(2,615)	(2,615)
Net cash provided	395	6,608
Increase (decrease) in cash	4,230	(497)
Cash at beginning of year	9,504	9,630
Cash at end of period	$ 13,734	$ 9,133

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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.

We have three reportable business segments, which are defined based on the nature of the products and services offered: Individual Insurance, Group Insurance, and Old American. For additional information on our segments, please see Note 15 - Segment Information.

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 2017 Annual Report, which is available on the OTCQX website. The interim consolidated financial statements and the accompanying notes for the quarters ended March 31, 2018 and 2017 are unaudited. Management believes that the disclosures included herein are adequate to make the information presented not misleading, and include all adjustments necessary to present fairly the financial position and the results of operations for all periods presented. 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 2017 Annual Report for a full discussion of our significant accounting policies. No significant updates or changes to these policies occurred during the quarter ended March 31, 2018.

2. New Accounting Pronouncements

Accounting Pronouncements Adopted During 2018

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (Topic 606). Topic 606 requires companies to recognize revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. As an insurance enterprise, our primary sources of revenue are excluded from this guidance, including insurance premiums, contract charges, and investment revenues. We have certain types of non-insurance and non-investment revenue from contracts with customers that fall under this guidance. These revenues are recognized when obligations under the terms of the contract are satisfied. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for those services. For these revenues, the performance obligation is fulfilled as services are rendered. Revenues from contracts with customers identified under Topic 606 are not material and are almost entirely comprised of fees received from separate account managers. These revenues equaled less than 1% of our total revenues for the quarter ended March 31, 2018. Effective January 1, 2018, the Company adopted ASU No. 2014-09 through the modified retrospective approach with no material impact to our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01 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. Upon adoption of this guidance, changes in fair value of equity securities will be recognized through net income instead of through other comprehensive income (loss). This guidance became effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 with early adoption allowed. We adopted this guidance effective January 1, 2018 and changes in the fair value of equity securities were recognized through net income with no material impact to our Consolidated Statements of Comprehensive Income for the quarter ended March 31, 2018. We also recorded a cumulative effect adjustment to increase retained earnings by $1.2 million as of January 1, 2018 for unrealized gains previously recognized in accumulated other comprehensive income (loss). For additional information, please see Note 13 - Comprehensive Income (Loss).

In August 2016, the FASB issued ASU No. 2016-15 Classification of Certain Cash Receipts and Cash Payments - a consensus of the FASB Emerging Issues Task Force. This guidance became effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. We adopted this guidance effective January 1, 2018 with no material impact to our consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07 Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This guidance became effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. We adopted this guidance effective January 1, 2018 with no material impact to our consolidated financial statements.

Accounting Pronouncements Issued, Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842). 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 is effective for periods beginning after December 15, 2017. This guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. We are currently evaluating this guidance.

In June 2016, the FASB issued ASU No. 2016-13 Measurement of Credit Losses on Financial Instruments. Under this guidance, the incurred loss impairment methodology 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 and interim periods within those fiscal years. We are currently evaluating this guidance.

In March 2017, the FASB issued ASU No. 2017-08 Premium Amortization on Purchased Callable Debt Securities. The amortization period for premiums is being shortened to the earliest call date. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. 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 us 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 fixed maturity securities by asset class at March 31, 2018. Equity securities were removed from this table upon adoption of ASU No. 2016-01 at January 1, 2018.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 125,923	$ 2,948	$ 761	$ 128,110
Federal agency issued residential mortgage-backed securities [1]	31,402	1,840	251	32,991
Subtotal	157,325	4,788	1,012	161,101
Corporate obligations:				
Industrial	477,574	10,644	4,231	483,987
Energy	165,563	5,529	3,109	167,983
Communications and technology	236,420	7,737	2,103	242,054
Financial	268,349	5,109	4,575	268,883
Consumer	571,159	6,728	8,902	568,985
Public utilities	256,019	7,378	4,642	258,755
Subtotal	1,975,084	43,125	27,562	1,990,647
Corporate private-labeled residential mortgage-backed securities	31,079	2,705	—	33,784
Municipal securities	183,279	17,425	1,486	199,218
Other	90,225	162	3,080	87,307
Redeemable preferred stocks	14,503	201	198	14,506
Total	$ 2,451,495	$ 68,406	$ 33,338	$ 2,486,563

[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 fixed maturity and equity securities by asset class at December 31, 2017.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 128,087	$ 4,653	$ 210	$ 132,530
Federal agency issued residential mortgage-backed securities [1]	28,248	2,053	43	30,258
Subtotal	156,335	6,706	253	162,788
Corporate obligations:				
Industrial	484,395	18,128	946	501,577
Energy	175,403	7,835	1,274	181,964
Communications and technology	235,219	11,860	430	246,649
Financial	253,346	8,670	569	261,447
Consumer	564,621	14,418	2,361	576,678
Public utilities	258,341	11,148	1,394	268,095
Subtotal	1,971,325	72,059	6,974	2,036,410
Corporate private-labeled residential mortgage-backed securities	33,281	2,910	—	36,191
Municipal securities	182,678	20,913	349	203,242
Other	84,355	510	3,356	81,509
Redeemable preferred stocks	14,514	410	—	14,924
Fixed maturity securities	2,442,488	103,508	10,932	2,535,064
Equity securities	19,236	1,544	10	20,770
Total	$ 2,461,724	$ 105,052	$ 10,942	$ 2,555,834

[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 issuers or borrowers may have the right to call or prepay obligations.

	March 31, 2018		December 31, 2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 117,545	$ 118,951	$ 137,483	$ 139,713
Due after one year through five years	805,282	816,357	769,096	794,260
Due after five years through ten years	1,018,389	1,020,605	1,003,469	1,034,593
Due after ten years	408,227	423,264	429,651	457,002
Securities with variable principal payments	87,549	92,880	88,275	94,572
Redeemable preferred stocks	14,503	14,506	14,514	14,924
Total	$ 2,451,495	$ 2,486,563	$ 2,442,488	$ 2,535,064

No material derivative financial instruments were held as of March 31, 2018 or December 31, 2017.

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 2017 Annual Report.

The following table provides information regarding fixed maturity securities available for sale with unrealized losses by asset class and by length of time at March 31, 2018. Equity securities were removed from this table upon adoption of ASU No. 2016-01 at January 1, 2018.

	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	$ 34,513	$ 607	$ 5,014	$ 154	$ 39,527	$ 761
Federal agency issued residential mortgage-backed securities [1]	12,039	250	28	1	12,067	251
Subtotal	46,552	857	5,042	155	51,594	1,012
Corporate obligations:						
Industrial	160,940	2,980	20,352	1,251	181,292	4,231
Energy	73,070	1,592	23,437	1,517	96,507	3,109
Communications and technology	70,307	1,440	10,657	663	80,964	2,103
Financial	144,146	4,276	7,767	299	151,913	4,575
Consumer	242,820	6,118	41,754	2,784	284,574	8,902
Public utilities	88,479	2,424	31,760	2,218	120,239	4,642
Subtotal	779,762	18,830	135,727	8,732	915,489	27,562
Municipal securities	47,882	1,016	5,442	470	53,324	1,486
Other	34,095	427	35,800	2,653	69,895	3,080
Redeemable preferred stocks	6,802	198	—	—	6,802	198
Total	$ 915,093	$ 21,328	$ 182,011	$ 12,010	$ 1,097,104	$ 33,338

[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 securities available for sale with unrealized losses by asset class and by length of time at December 31, 2017.

	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	$ 18,428	$ 121	$ 5,011	$ 89	$ 23,439	$ 210
Federal agency issued residential mortgage-backed securities [1]	7,992	42	29	1	8,021	43
Subtotal	26,420	163	5,040	90	31,460	253
Corporate obligations:						
Industrial	45,927	477	21,142	469	67,069	946
Energy	30,670	202	23,879	1,072	54,549	1,274
Communications and technology	24,804	106	11,004	324	35,808	430
Financial	49,488	290	8,697	279	58,185	569
Consumer	82,018	1,000	43,194	1,361	125,212	2,361
Public utilities	23,249	189	32,871	1,205	56,120	1,394
Subtotal	256,156	2,264	140,787	4,710	396,943	6,974
Municipal securities	14,151	96	5,666	253	19,817	349
Other	13,748	107	35,519	3,249	49,267	3,356
Fixed maturity securities	310,475	2,630	187,012	8,302	497,487	10,932
Equity securities	2,101	10	—	—	2,101	10
Total	$ 312,576	$ 2,640	$ 187,012	$ 8,302	$ 499,588	$ 10,942

[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 securities with unrealized losses at March 31, 2018.

	March 31 2018
Below cost for less than one year	346
Below cost for one year or more and less than three years	52
Below cost for three years or more	13
Total	411

The following table provides information regarding the number of fixed maturity and equity security issues with unrealized losses at December 31, 2017.

	December 31 2017
Below cost for less than one year	136
Below cost for one year or more and less than three years	52
Below cost for three years or more	12
Total	200

We do not consider the unrealized losses related to these securities to be credit-related. The unrealized losses at March 31, 2018 and December 31, 2017 primarily related to changes in interest rates and market spreads subsequent to 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.

The following table summarizes investments in fixed maturity securities available for sale with unrealized losses at March 31, 2018. Equity securities were removed from this table upon adoption of ASU No. 2016-01 at January 1, 2018.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$ 1,113,893	$ 1,082,339	$ 31,554
Unrealized losses of 20% or less and greater than 10%	14,960	13,245	1,715
Unrealized losses greater than 20%	—	—	—
Subtotal	1,128,853	1,095,584	33,269
Securities owned with realized impairment:			
Unrealized losses of 10% or less	$ 1,589	$ 1,520	$ 69
Unrealized losses of 20% or less and greater than 10%	—	—	—
Unrealized losses greater than 20%	—	—	—
Subtotal	1,589	1,520	69
Total	$ 1,130,442	$ 1,097,104	$ 33,338

The following table summarizes investments in fixed maturity and equity securities available for sale with unrealized losses at December 31, 2017.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$ 483,758	$ 475,738	$ 8,020
Unrealized losses of 20% or less and greater than 10%	24,959	22,104	2,855
Unrealized losses greater than 20%	—	—	—
Subtotal	508,717	497,842	10,875
Securities owned with realized impairment:			
Unrealized losses of 10% or less	$ 1,813	$ 1,746	$ 67
Unrealized losses of 20% or less and greater than 10%	—	—	—
Unrealized losses greater than 20%	—	—	—
Subtotal	1,813	1,746	67
Total	$ 510,530	$ 499,588	$ 10,942

The following table provides information on fixed maturity securities available for sale with unrealized losses by actual or equivalent Standard & Poor's rating at March 31, 2018.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	$ 70,267	6%	$ 1,791	5%
AA	160,067	15%	5,063	15%
A	428,727	39%	12,135	37%
BBB	402,936	37%	11,409	34%
Total investment grade	1,061,997	97%	30,398	91%
BB	11,501	1%	996	3%
B and below	23,606	2%	1,944	6%
Total below investment grade	35,107	3%	2,940	9%
	$ 1,097,104	100%	$ 33,338	100%

The following table provides information on fixed maturity securities available for sale with unrealized losses by actual or equivalent Standard & Poor's rating at December 31, 2017.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	$ 18,736	4%	$ 519	5%
AA	84,309	17%	2,118	19%
A	163,721	33%	2,253	21%
BBB	199,697	40%	2,902	26%
Total investment grade	466,463	94%	7,792	71%
BB	9,866	2%	634	6%
B and below	21,158	4%	2,506	23%
Total below investment grade	31,024	6%	3,140	29%
	$ 497,487	100%	$ 10,932	100%

Our residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade represented 43% of the fair value of the total below investment grade securities at March 31, 2018, down from 44% at December 31, 2017.

We 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, collateralized debt obligations, and other collateralized obligations.

The following tables identify structured securities by credit ratings for all vintages owned.

	March 31, 2018		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Corporate Private-Labeled Residential MBS:			
Investment grade	$ 1,828	$ 1,803	$ 25
Below investment grade	31,956	29,276	2,680
Total residential & non-agency MBS	33,784	31,079	2,705
Other structured securities:			
Investment grade	71,906	73,636	(1,730)
Below investment grade	15,401	16,589	(1,188)
Total other structured securities	87,307	90,225	(2,918)
Total structured securities	$ 121,091	$ 121,304	$ (213)

	December 31, 2017		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Corporate Private-Labeled Residential MBS:			
Investment grade	$ 1,847	$ 1,818	$ 29
Below investment grade	34,344	31,463	2,881
Total residential & non-agency MBS	36,191	33,281	2,910
Other structured securities:			
Investment grade	66,598	67,652	(1,054)
Below investment grade	14,911	16,703	(1,792)
Total other structured securities	81,509	84,355	(2,846)
Total structured securities	$ 117,700	$ 117,636	$ 64

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 March 31	
	2018	2017
Credit losses on securities held at beginning of the period	$ 4,399	$ 13,224
Additions for increases (decreases) 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	—	7
Reductions for securities sold	(18)	(3,826)
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	—	(6)
Credit losses on securities held at the end of the period	$ 4,381	$ 9,399

Investment Gains (Losses)
The following table provides detail concerning investment gains and losses.

	Quarter Ended March 31 2018	Quarter Ended March 31 2017
Gross gains resulting from:		
Sales of investment securities	$ 61	$ 306
Investment securities called and other	238	368
Total gross gains	299	674
Gross losses resulting from:		
Investment securities called and other	(211)	(1)
Mortgage loans	—	(5)
Total gross losses	(211)	(6)
Change in allowance for loan losses	44	(160)
Amortization of DAC, VOBA, and DRL	(7)	(20)
Net realized investment gains, excluding other-than-temporary impairment losses	125	488
Net unrealized loss on equity securities	(37)	—
Net impairment losses recognized in earnings:		
Other-than-temporary impairment losses on fixed maturity and equity securities	—	—
Portion of loss recognized in other comprehensive income (loss)	—	(7)
Net other-than-temporary impairment losses recognized in earnings	—	(7)
Net investment gains	$ 88	$ 481

The portion of loss recognized in other comprehensive income (loss) represents the non-credit portion of current or prior other-than-temporary impairment. No other-than-temporary impairments were recorded in earnings during the quarter ended March 31, 2018. Corporate private-labeled residential mortgage-backed and other securities had impairments recorded in earnings of less than $0.1 million in the quarter ended March 31, 2017. The other-than-temporary impairments recorded in earnings were determined based upon the present value of projected future cash flows.

Proceeds from Sales of Investment Securities
The following table provides proceeds from the sale of fixed maturity and equity securities, excluding maturities and calls.

	Quarter Ended March 31 2018	Quarter Ended March 31 2017
Proceeds	$ 7,412	$ 8,124

Mortgage Loans
Investments in mortgage loans totaled $639.7 million at March 31, 2018, compared to $649.5 million at December 31, 2017. Our mortgage loans are secured by commercial real estate and are stated at cost, adjusted for premium amortization and discount accretion, less an allowance for loan losses. We believe this allowance is at a level adequate to absorb estimated credit losses and was $4.0 million at March 31, 2018 and $4.1 million at December 31, 2017. We had 18% of our total investments in commercial mortgage loans at both March 31, 2018 and December 31, 2017. In addition to the subject collateral underlying the mortgage, we may 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 46% at March 31, 2018 and 47% at December 31, 2017. 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. For additional information on mortgage loans, please see Note 5 - Financing Receivables.

We may refinance commercial mortgage loans prior to contractual maturity as a means of retaining loans that meet our underwriting and pricing parameters. We did not refinance any loans during the quarter ended March 31, 2018. We refinanced one loan with an outstanding balance of $2.4 million during the quarter ended March 31, 2017.

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 commitment fee is retained. For additional information, please see Note 16 - 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. No changes were made to our categories as disclosed in our Annual Report. Please refer to our 2017 Annual Report for a full discussion of the fair value hierarchy and our policies regarding fair value measurements.

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

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 12,664	$ 115,446	$ —	$ 128,110
Federal agency issued residential mortgage-backed securities [1]	—	32,991	—	32,991
Subtotal	12,664	148,437	—	161,101
Corporate obligations:				
Industrial	—	483,987	—	483,987
Energy	—	167,983	—	167,983
Communications and technology	—	242,054	—	242,054
Financial	—	268,883	—	268,883
Consumer	—	568,985	—	568,985
Public utilities	—	258,755	—	258,755
Subtotal	—	1,990,647	—	1,990,647
Corporate private-labeled residential mortgage-backed securities	—	33,784	—	33,784
Municipal securities	—	199,218	—	199,218
Other	—	87,307	—	87,307
Redeemable preferred stocks	—	14,506	—	14,506
Fixed maturity securities	12,664	2,473,899	—	2,486,563
Equity securities	5,271	15,423	—	20,694
Short-term investments	19,808	—	—	19,808
Separate account assets	—	414,618	—	414,618
Total	$ 37,743	$ 2,903,940	$ —	$ 2,941,683
Percent of total	1%	99%	—%	100%
Liabilities:				
Other policyholder funds:				
Guaranteed minimum withdrawal benefits	$ —	$ —	$ (3,920)	$ (3,920)
Separate account liabilities	—	414,618	—	414,618
Total	$ —	$ 414,618	$ (3,920)	$ 410,698

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

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 12,748	$ 119,782	$ —	$ 132,530
Federal agency issued residential mortgage-backed securities [1]	—	30,258	—	30,258
Subtotal	12,748	150,040	—	162,788
Corporate obligations:				
Industrial	—	501,577	—	501,577
Energy	—	181,964	—	181,964
Communications and technology	—	246,649	—	246,649
Financial	—	261,447	—	261,447
Consumer	—	576,678	—	576,678
Public utilities	—	268,095	—	268,095
Subtotal	—	2,036,410	—	2,036,410
Corporate private-labeled residential mortgage-backed securities	—	36,191	—	36,191
Municipal securities	—	203,242	—	203,242
Other	—	81,509	—	81,509
Redeemable preferred stocks	—	14,924	—	14,924
Fixed maturity securities	12,748	2,522,316	—	2,535,064
Equity securities	5,214	15,556	—	20,770
Short-term investments	32,195	—	—	32,195
Separate account assets	—	419,812	—	419,812
Total	$ 50,157	$ 2,957,684	$ —	$ 3,007,841
Percent of total	2%	98%	—%	100%
Liabilities:				
Other policyholder funds:				
Guaranteed minimum withdrawal benefits	$ —	$ —	$ (3,252)	$ (3,252)
Separate account liabilities	—	419,812	—	419,812
Total	$ —	$ 419,812	$ (3,252)	$ 416,560

[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 March 31, 2018	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ —	$ (3,252)
Included in earnings	—	(780)
Included in other comprehensive income (loss)	—	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	56
Sales	—	—
Other dispositions	—	56
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ —	$ (3,920)

	Quarter Ended March 31, 2017	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ 400	$ (2,158)
Included in earnings	11	(414)
Included in other comprehensive income (loss)	(83)	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	60
Sales	(328)	—
Other dispositions	—	(69)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ —	$ (2,581)

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 March 31, 2018 or March 31, 2017.

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 2017 Annual Report 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 March 31, 2018.

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

	March 31 2018	December 31 2017
	Increase/(Decrease) in millions	
A 10% increase in the mortality assumption	$ (0.1)	$ (0.1)
A 10% decrease in the lapse assumption	0.1	0.2
A 10% increase in the benefit utilization	0.6	0.7
A 10 basis point increase in the credit spreads used for non-performance	(0.2)	(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.

	March 31, 2018				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Fixed maturity securities available for sale	$ 12,664	$ 2,473,899	$ —	$ 2,486,563	$ 2,486,563
Equity securities available for sale	5,271	15,423	—	20,694	20,694
Mortgage loans	—	—	641,876	641,876	639,669
Policy loans	—	—	77,460	77,460	77,460
Short-term investments	19,808	—	—	19,808	19,808
Cash	13,734	—	—	13,734	13,734
Separate account assets	—	414,618	—	414,618	414,618
Liabilities:					
Individual and group annuities	—	—	1,057,682	1,057,682	1,077,278
Supplementary contracts and annuities without life contingencies	—	—	51,082	51,082	52,860
Separate account liabilities	—	414,618	—	414,618	414,618
Other policyholder funds - GMWB	—	—	(3,920)	(3,920)	(3,920)

	December 31, 2017				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Fixed maturity securities available for sale	$ 12,748	$ 2,522,316	$ —	$ 2,535,064	$ 2,535,064
Equity securities available for sale	5,214	15,556	—	20,770	20,770
Mortgage loans	—	—	658,706	658,706	649,542
Policy loans	—	—	78,175	78,175	78,175
Short-term investments	32,195	—	—	32,195	32,195
Cash	9,504	—	—	9,504	9,504
Separate account assets	—	419,812	—	419,812	419,812
Liabilities:					
Individual and group annuities	—	—	1,059,263	1,059,263	1,078,819
Supplementary contracts and annuities without life contingencies	—	—	52,094	52,094	53,470
Separate account liabilities	—	419,812	—	419,812	419,812
Other policyholder funds - GMWB	—	—	(3,252)	(3,252)	(3,252)

5. Financing Receivables

We have financing receivables with specific maturity dates that are recognized as assets in the Consolidated Balance Sheets.

The following table identifies financing receivables by classification amount.

	March 31 2018	December 31 2017
Receivables:		
Agent receivables, net (allowance $1,365; 2017 - $817)	$ 1,668	$ 1,719
Investment-related financing receivables:		
Mortgage loans, net (allowance $4,035; 2017 - $4,079)	639,669	649,542
Total financing receivables	$ 641,337	$ 651,261

Agent Receivables

We have certain agent receivables that are classified as financing receivables. These 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.

	March 31, 2018			December 31, 2017		
	Gross Receivables	Allowance	Net Receivables	Gross Receivables	Allowance	Net Receivables
Agent specific loans	$ 1,217	$ 600	$ 617	$ 1,234	$ 609	$ 625
Other agent receivables	1,816	765	1,051	1,302	208	1,094
Total	$ 3,033	$ 1,365	$ 1,668	$ 2,536	$ 817	$ 1,719

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

	March 31 2018	December 31 2017
Beginning of year	$ 817	$ 660
Additions	548	302
Deductions	—	(145)
End of period	$ 1,365	$ 817

Mortgage Loans

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

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

	March 31 2018	December 31 2017
Mortgage loans collectively evaluated for impairment	$ 567,535	$ 576,980
Mortgage loans individually evaluated for impairment	76,169	76,641
Allowance for loan losses	(4,035)	(4,079)
Carrying value	$ 639,669	$ 649,542

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
March 31, 2018					
Industrial	$ 473	$ 5	$ —	$ —	$ 5
Office	—	—	—	—	—
Medical	4,921	75	75	1,725	1,875
Other	—	—	—	—	—
Total	$ 5,394	$ 80	$ 75	$ 1,725	$ 1,880
December 31, 2017					
Industrial	$ 482	$ 5	$ —	$ —	$ 5
Office	—	—	—	—	—
Medical	4,921	75	75	1,500	1,650
Other	—	—	—	—	—
Total	$ 5,403	$ 80	$ 75	$ 1,500	$ 1,655

There were two mortgage loans that were over 30 days past due at March 31, 2018. One loan was over 30 days past due. Payment was subsequently received on this loan and it was brought current in the second quarter of 2018. The other loan was over 90 days past due and was in the process of foreclosure at both March 31, 2018 and December 31, 2017. In addition, one loan was over 30 days past due at December 31, 2017. Payment was subsequently received on this loan and it was brought current in 2018. We had no troubled loans that were restructured or modified during the quarters ended March 31, 2018 or 2017.

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

	March 31 2018	December 31 2017
Beginning of year	$ 4,079	$ 3,333
Provision	—	746
Deductions	(44)	—
End of period	$ 4,035	$ 4,079

Please refer to our 2017 Annual Report for additional information regarding our mortgage loans.

6. Variable Interest Entities (VIEs)

We invest in certain affordable housing and real estate joint ventures. These VIEs are included in Real Estate in the Consolidated Balance Sheets. Please refer to our 2017 Annual Report 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 while the amortization increases tax expense.

The following table provides information regarding our VIEs that generate tax credits and related amortization.

	Quarter Ended March 31	
	2018	2017
Federal income tax credits realized	$ (688)	$ (688)
Amortization	361	383

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 March 31, 2018 and December 31, 2017. The table includes investments in five real estate joint ventures and 17 affordable housing real estate joint ventures at both March 31, 2018 and December 31, 2017.

	March 31 2018		December 31 2017	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate joint ventures	$ 21,714	$ 21,714	$ 21,761	$ 21,761
Affordable housing real estate joint ventures	6,977	32,994	7,338	33,354
Total	$ 28,691	$ 54,708	$ 29,099	$ 55,115

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 March 31, 2018 and December 31, 2017, we had no 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 March 31, 2018 included $19.0 million of losses which could be realized if the tax credits received by the VIEs were recaptured, compared to $18.7 million at December 31, 2017. 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 VIE 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 was recorded at fair value of $127.8 million at March 31, 2018. The fair value of the separate accounts with the GMWB rider was $131.9 million at December 31, 2017. The GMWB guarantee liability was $(3.9) million at March 31, 2018 and $(3.3) million December 31, 2017. 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 fees are received. 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 $414.6 million at March 31, 2018 and $419.8

million at December 31, 2017, 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. The Future Policy Benefits for the direct block approximated $0.4 million at both March 31, 2018 and December 31, 2017.

In addition, we have an assumed closed block of variable universal life business that totaled $322.0 million at March 31, 2018 and $331.0 million at December 31, 2017. 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 of $30.8 million at March 31, 2018 and $30.2 million at December 31, 2017 are included in our general account as Future Policy Benefits. The Future Policy Benefits for the assumed block approximated $0.6 million at both March 31, 2018 and December 31, 2017.

8. Unpaid Claims Liability and Short-Duration Contracts

The liability for unpaid claims is included with Policy and Contract Claims and Future Policy Benefits in the Consolidated Balance Sheets. Claim adjustment expenditures are expensed as incurred and were not material in any period presented.

The following tables present activity in the accident and health portion of the unpaid claims liability for the consolidated entity and the Group Insurance segment. The activity for the Individual Insurance and the Old American segments was not material for any period presented. Classified as policy and contract claims, but excluded from these tables due to immateriality, are amounts recorded for group life, individual life, and deferred annuities.

	Consolidated	
	Quarter Ended March 31	
	2018	2017
Gross liability at beginning of the period	$ 34,040	$ 32,146
Less reinsurance recoverable	(26,949)	(25,555)
Net liability at beginning of the period	7,091	6,591
Incurred benefits related to:		
Current year	6,945	6,640
Prior years [1]	(260)	162
Total incurred benefits	6,685	6,802
Paid benefits related to:		
Current year	4,458	4,299
Prior years	2,234	2,236
Total paid benefits	6,692	6,535
Net liability at end of the period	7,084	6,858
Reinsurance recoverable	26,010	26,152
Gross liability at end of the period	$ 33,094	$ 33,010

[1] The incurred benefits related to prior years' unpaid accident and health claims reflect the change in these liabilities.

	Group Insurance Segment	
	Quarter Ended March 31	
	2018	2017
Gross liability at beginning of the period	$ 27,945	$ 26,020
Less reinsurance recoverable	(21,231)	(19,850)
Net liability at beginning of the period	6,714	6,170
Incurred benefits related to:		
Current year	6,915	6,612
Prior years [1]	(231)	136
Total incurred benefits	6,684	6,748
Paid benefits related to:		
Current year	4,458	4,298
Prior years	2,201	2,169
Total paid benefits	6,659	6,467
Net liability at end of the period	6,739	6,451
Reinsurance recoverable	20,608	20,238
Gross liability at end of the period	$ 27,347	$ 26,689

[1] The incurred benefits related to prior years' unpaid accident and health claims reflect the change in these liabilities.

The following table presents the reconciliation of amounts in the above tables to policy and contract claims and claim reserves that are included in Future Policy Benefits as presented in the Consolidated Balance Sheets.

	Quarter Ended March 31	
	2018	2017
Individual Insurance Segment:		
Individual accident and health	$ 621	$ 757
Individual life	22,736	22,096
Deferred annuity	3,217	3,913
Subtotal	26,574	26,766
Group Insurance Segment:		
Group accident and health	27,347	26,689
Group life	2,032	1,438
Subtotal	29,379	28,127
Old American Segment:		
Individual accident and health	5,126	5,564
Individual life	6,413	6,368
Subtotal	11,539	11,932
Total	$ 67,492	$ 66,825

For short-duration contracts, incurred-but-not-reported liabilities for the group long-term disability product that were included in the liability for unpaid claims and claim adjustment expenses, net of reinsurance, totaled $0.6 million at both March 31, 2018 and December 31, 2017.

9. Debt

We had no notes payable outstanding at March 31, 2018 or December 31, 2017.

As a member of the Federal Home Loan Bank of Des Moines (FHLB) with a capital investment of $4.9 million at March 31, 2018, 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 quarters ended March 31, 2018 and March 31, 2017.

We have three unsecured revolving lines of credit with two major commercial banks that totaled $70.0 million at both March 31, 2018 and December 31, 2017, with no balances outstanding. The lines of credit are at variable interest rates based upon short-term indices and will mature in June of 2018. We anticipate renewing these lines of credit as they come due. One line of credit includes a $10.0 million portion that can be unconditionally canceled by the lending institution at its discretion at any time.

10. Income Taxes

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

	Quarter Ended March 31	
	2018	2017
Federal income tax rate	21 %	35 %
Tax credits, net of equity adjustment	(21)%	(5)%
Permanent differences and other	16 %	(1)%
Effective income tax rate	16 %	29 %

The following table provides information about taxes paid.

	Quarter Ended March 31	
	2018	2017
Cash paid for income taxes	$ —	$ 1,000

We had no material uncertain tax positions at March 31, 2018 or December 31, 2017.

At March 31, 2018, we had a current tax asset of $3.2 million and a $38.1 million net deferred tax liability, compared to a $3.1 million current tax asset and a $46.9 million net deferred tax liability at December 31, 2017.

Beginning January 1, 2018, the TCJA imposed a limitation on tax reserves based upon the greater of net surrender value or 92.81% of the reserve method prescribed by the NAIC which covers such contracts as of the date the reserve is determined. Under Staff Accounting Bulletin No. 118 (SAB 118), we recognized the provisional tax impacts related to the change in the methodology employed to calculate tax reserves for the year ended December 31, 2017. The Company continues to use the provisional methodology established at December 31, 2017 and expects to finalize the accounting by December 31, 2018. For additional information, please see Note 10 - Income Taxes of our 2017 Annual Report.

11. Pensions and Other Postemployment Benefits (OPEB)

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

	Pension Benefits		OPEB	
	Quarter Ended March 31		Quarter Ended March 31	
	2018	2017	2018	2017
Service cost	$ —	$ —	$ 56	$ 77
Interest cost	1,069	1,181	158	228
Expected return on plan assets	(2,544)	(2,410)	—	—
Amortization of:				
Unrecognized actuarial net (gain) loss	599	659	(323)	(208)
Unrecognized prior service credit	(18)	(16)	(25)	(207)
Net periodic benefit credit	$ (894)	$ (586)	$ (134)	$ (110)

12. Share-Based Payment

The Kansas City Life Insurance Company Omnibus Incentive Plan (the Plan) 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 2017 Annual Report for additional information regarding this plan.

During the first quarter of 2018, the Plan made cash payments totaling $0.2 million for the three-year interval ended December 31, 2017. During the first quarter of 2017, the Plan made cash payments totaling $0.5 million for the three-year interval ended December 31, 2016.

At each reporting period, an estimate of the share-based compensation expense is accrued, utilizing the share price at the period end. The change in accrual for share-based compensation, net of tax, that reduced operating expense in the first quarter of 2018 and the first quarter of 2017 was $0.1 million, net of tax.

13. 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). Equity securities were removed from this table upon adoption of ASU No. 2016-01 at January 1, 2018.

	Quarter Ended March 31, 2018		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized losses arising during the period:			
Fixed maturity securities	$ (57,249)	$ (12,022)	$ (45,227)
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	259	55	204
Other-than-temporary impairment losses recognized in earnings	—	—	—
Other-than-temporary impairment losses recognized in other comprehensive loss	—	—	—
Net unrealized loses excluding impairment losses	(57,508)	(12,077)	(45,431)
Effect on DAC, VOBA, and DRL	7,086	1,488	5,598
Future policy benefits	8,743	1,836	6,907
Policyholder account balances	98	20	78
Other comprehensive loss	$ (41,581)	$ (8,733)	$ (32,848)
Net income			1,462
Comprehensive loss			$ (31,386)

	Quarter Ended March 31, 2017		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized gains arising during the period:			
Fixed maturity securities	$ 5,292	$ 1,853	$ 3,439
Equity securities	574	201	373
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	306	107	199
Other-than-temporary impairment losses recognized in earnings	—	—	—
Other-than-temporary impairment losses recognized in other comprehensive income	(7)	(2)	(5)
Net unrealized gains excluding impairment losses	5,567	1,949	3,618
Effect on DAC, VOBA, and DRL	176	62	114
Future policy benefits	(476)	(167)	(309)
Policyholder account balances	(26)	(9)	(17)
Other comprehensive income	$ 5,241	$ 1,835	$ 3,406
Net income			5,168
Comprehensive income			$ 8,574

The following table provides accumulated balances related to each component of accumulated other comprehensive income (loss) at March 31, 2018, net of tax.

	Unrealized Gain on Non-Impaired Securities	Unrealized Gain on Impaired Securities	Benefit Plan Obligations	DAC/ VOBA/ DRL Impact	Future Policy Benefits	Policyholder Account Balances	Total
Beginning of year	$ 72,172	$ 2,174	$ (42,549)	$ (10,012)	$ (15,206)	$ (291)	$ 6,288
Cumulative effect of adoption of new accounting principle (ASU No. 2016-01)	(1,212)	—	—	38	—	—	(1,174)
Adjusted beginning of year	70,960	2,174	(42,549)	(9,974)	(15,206)	(291)	5,114
Other comprehensive income (loss) before reclassification	(45,060)	(167)	—	5,592	6,907	78	(32,650)
Amounts reclassified from accumulated other comprehensive income (loss)	(204)	—	—	6	—	—	(198)
Net current-period other comprehensive income (loss)	(45,264)	(167)	—	5,598	6,907	78	(32,848)
End of period	$ 25,696	$ 2,007	$ (42,549)	$ (4,376)	$ (8,299)	$ (213)	$ (27,734)

The following table provides accumulated balances related to each component of accumulated other comprehensive income (loss) at December 31, 2017, net of tax.

	Unrealized Gain on Non-Impaired Securities	Unrealized Gain on Impaired Securities	Benefit Plan Obligations	DAC/ VOBA/ DRL Impact	Future Policy Benefits	Policyholder Account Balances	Total
Beginning of year	$ 58,633	$ 1,750	$ (41,448)	$ (9,492)	$ (14,453)	$ (306)	$ (5,316)
Other comprehensive income before reclassification	2,357	34	6,439	1,225	1,942	66	12,063
Amounts reclassified from accumulated other comprehensive income (loss)	(1,608)	5	—	29	—	—	(1,574)
Net current-period other comprehensive income	749	39	6,439	1,254	1,942	66	10,489
Cumulative effect of adoption of new accounting principle (ASU No. 2018-02)	12,790	385	(7,540)	(1,774)	(2,695)	(51)	1,115
End of year	$ 72,172	$ 2,174	$ (42,549)	$ (10,012)	$ (15,206)	$ (291)	$ 6,288

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 March 31	
	2018	2017
Reclassification adjustments related to unrealized gains (losses) on investment securities:		
Net realized investment gains, excluding impairment losses[1]	$ 259	$ 306
Income tax expense [2]	(55)	(107)
Net of taxes	204	199
Other-than-temporary impairment losses[1]	—	(7)
Income tax benefit [2]	—	2
Net of taxes	—	(5)
Reclassification adjustment related to DAC, VOBA, and DRL [1]	(7)	(20)
Income tax benefit [2]	1	7
Net of taxes	(6)	(13)
Total pre-tax reclassifications	252	279
Total income tax expense	(54)	(98)
Total reclassification, net taxes	$ 198	$ 181

[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.

14. 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 for both the first quarters ended March 31, 2018 and 2017 was 9,683,414. The number of shares outstanding at both March 31, 2018 and December 31, 2017 was 9,683,414.

15. Segment Information

The following tables 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 March 31, 2018			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 35,268	$ 15,047	$ 22,662	$ 72,977
Interest credited to policyholder account balances	18,072	—	—	18,072
Amortization of deferred acquisition costs	5,013	—	5,103	10,116
Income tax expense (benefit)	546	150	(415)	281
Net income (loss)	2,462	566	(1,566)	1,462

	Quarter Ended March 31, 2017			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 35,649	$ 14,503	$ 21,822	$ 71,974
Interest credited to policyholder account balances	18,010	—	—	18,010
Amortization of deferred acquisition costs	3,534	—	4,611	8,145
Income tax expense (benefit)	2,267	55	(236)	2,086
Net income (loss)	5,504	100	(436)	5,168

16. Commitments, Contingent Liabilities, Guarantees, and Indemnifications

Commitments

In the normal course of business, we have open purchase and sale commitments. At March 31, 2018, we had purchase commitments to fund mortgage loans of $16.6 million.

After March 31, 2018, we entered into commitments to fund additional mortgage loans of $13.7 million.

Contingent Liabilities, Guarantees, and Indemnifications

Please refer to our 2017 Annual Report for information regarding our contingent liabilities, guarantees, and indemnifications. There have been no significant changes to these items during the quarter ended March 31, 2018.

17. Subsequent Events

We evaluated events that occurred subsequent to March 31, 2018 through April 26, 2018, the date the consolidated financial statements were issued.

On April 23, 2018, the Kansas City Life Board of Directors declared a quarterly dividend of $0.27 per share, payable on May 9, 2018 to stockholders of record on May 3, 2018.

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 ended March 31, 2018.