

Kansas City Life Insurance Company

2013 Third Quarter Report



Includes our subsidiaries:

Sunset Life Insurance Company of America

Old American Insurance Company

Sunset Financial Services, Inc.

Post Office Box 219139
Kansas City, Missouri 64121-9139
Listing: NASDAQ
Stock Symbol:KCLI
www.kclife.com

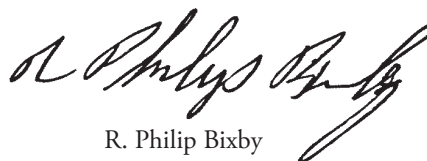


Message *from the President, CEO Chairman of the Board*

Kansas City Life Insurance Company recorded net income of \$7.1 million or \$0.65 per share in the third quarter of 2013, an increase of \$3.0 million or \$0.27 per share relative to the same quarter in the prior year. This increase was primarily due to increased contract charges and realized investment gains, as well as decreased operating expenses. These improvements were partially offset by a decrease in net investment income compared with the same period one year earlier. The third quarter and nine month results reflect the favorable impact of the reinsurance transaction that occurred earlier in 2013 for a closed block of variable universal life policies and variable annuity contracts.

Net income for the nine months was \$23.1 million or \$2.10 per share, compared to \$32.0 million or \$2.88 per share in the same period of 2012. The decrease was primarily the result of the elevated realized investment gains in the first quarter of 2012, resulting from the sale of real estate investment properties. Other significant changes included an increase in contract charges and lower net investment income.

On October 28, 2013, the Kansas City Life Board of Directors declared a quarterly dividend of \$0.27 per share that will be paid on November 13, 2013 to stockholders of record on November 7, 2013.



R. Philip Bixby



KANSAS CITY LIFE INSURANCE COMPANY
CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share data)

	September 30 2013 (Unaudited)	December 31 2012
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value	\$ 2,640,926	\$ 2,788,141
Equity securities available for sale, at fair value	34,086	20,061
Mortgage loans	648,073	674,034
Real estate	141,039	124,742
Policy loans	83,604	77,133
Short-term investments	18,089	24,902
Other investments	1,607	2,572
Total investments	3,567,424	3,711,585
Cash	8,248	7,026
Accrued investment income	37,027	34,747
Deferred acquisition costs	252,246	176,275
Reinsurance recoverables	191,148	190,613
Property and equipment	17,834	18,343
Other assets	68,978	47,063
Separate account assets	377,009	340,093
Total assets	\$ 4,519,914	\$ 4,525,745
LIABILITIES		
Future policy benefits	\$ 905,517	\$ 889,107
Policyholder account balances	2,105,556	2,128,002
Policy and contract claims	35,092	29,813
Other policyholder funds	157,504	155,749
Other liabilities	215,153	232,580
Separate account liabilities	377,009	340,093
Total liabilities	3,795,831	3,775,344
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	40,985	40,969
Retained earnings	819,951	805,730
Accumulated other comprehensive income	15,616	54,094
Treasury stock, at cost (2013 - 7,512,320 shares;		
2012 - 7,463,823 shares)	(175,590)	(173,513)
Total stockholders' equity	724,083	750,401
Total liabilities and stockholders' equity	\$ 4,519,914	\$ 4,525,745

Please refer to the Company's Form 10-Q and Annual Report on Form 10-K.



KANSAS CITY LIFE INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(amounts in thousands, except share data)

	Quarter Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
	(Unaudited)		(Unaudited)	
REVENUES				
Insurance revenues:				
Net premiums	\$ 43,704	\$ 33,049	\$ 141,470	\$ 99,958
Contract charges	29,319	24,464	84,278	75,187
Total insurance revenues	73,023	57,513	225,748	175,145
Investment revenues:				
Net investment income	41,961	44,645	127,249	132,289
Net realized investment gains, excluding other-than-temporary impairment losses	1,956	606	4,134	17,804
Net impairment losses recognized in earnings:				
Total other-than-temporary impairment losses	(116)	(697)	(575)	(1,153)
Portion of impairment losses recognized in other comprehensive income (loss)	21	47	120	197
Net other-than-temporary impairment losses recognized in earnings	(95)	(650)	(455)	(956)
Total investment revenues	43,822	44,601	130,928	149,137
Other revenues	2,604	2,146	7,395	6,643
Total revenues	119,449	104,260	364,071	330,925
BENEFITS AND EXPENSES				
Policyholder benefits	50,814	39,500	159,547	119,246
Interest credited to policyholder account balances	19,922	20,436	59,450	61,371
Amortization of deferred acquisition costs	9,247	7,151	29,016	20,173
Operating expenses	28,660	30,943	81,668	81,983
Total benefits and expenses	108,643	98,030	329,681	282,773
Income before income tax expense	10,806	6,230	34,390	48,152
Income tax expense	3,696	2,098	11,241	16,182
NET INCOME	\$ 7,110	\$ 4,132	\$ 23,149	\$ 31,970
COMPREHENSIVE INCOME (LOSS), NET OF TAXES				
Change in net unrealized gains on securities available for sale	\$ (7,155)	\$ 22,033	\$ (51,030)	\$ 40,050
Change in future policy benefits	268	(3,617)	7,192	(8,586)
Change in policyholder account balances	28	(178)	350	(396)
Change in benefit plan obligations	-	-	5,010	-
Other comprehensive income (loss)	(6,859)	18,238	(38,478)	31,068
COMPREHENSIVE INCOME (LOSS)	\$ 251	\$ 22,370	\$ (15,329)	\$ 63,038
 Basic and diluted earnings per share:				
Net income	\$ 0.65	\$ 0.38	\$ 2.10	\$ 2.88

Please refer to the Company's Form 10-Q and Annual Report on Form 10-K.

