KANSAS CITY LIFE INSURANCE COMPANY

A Missouri Corporation

3520 Broadway
Kansas City, MO 64111-2565
Telephone: (816) 753-7000
www.kclife.com

SIC Code: 6311

QUARTERLY REPORT

For the Period Ending September 30, 2019
(the "Reporting Period")

The number of shares outstanding of our Common Stock is 9,683,414 as of September 30, 2019 (the end of reporting period)

The number of shares outstanding of our Common Stock was 9,683,414 as of June 30, 2019 (the end of previous reporting period)

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a change in control of the company has occurred over this reporting period:

Yes: ☐ No: ☒

KANSAS CITY LIFE INSURANCE COMPANY
TABLE OF CONTENTS

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;
- Unanticipated changes in industry trends and ratings assigned by nationally recognized rating organizations;
- The ability to integrate acquisitions and achieve anticipated operating efficiencies and the ability to preserve goodwill that results from acquisitions; and
- Results of litigation we may be involved in.

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

	September 30, 2019
Number of Shares Authorized	36,000,000
Number of Shares Outstanding	9,683,414
Freely Tradable Shares (Public Float)	2,505,514
Total Number of Shareholders of Record	149

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 September 30, 2019 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 presentation of the results. As permitted under GAAP, certain footnotes or other financial disclosures 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 2018 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 and nine months ended September 30, 2019 and 2018 are unaudited. Operating results for the interim period are not necessarily indicative of the results that may be expected or achieved for the year ending December 31, 2019.

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), Old American Insurance Company (Old American), and Grange Life Insurance Company (Grange Life) are wholly-owned insurance 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 and nine months ended September 30, 2019 and 2018 and our financial condition at September 30, 2019. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in this document, as well as our 2018 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 availability of reinsurance opportunities and 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;
- Management of distribution costs and operating expenses;
- Management of the operations of our affiliates and the management of blocks of business acquired through reinsurance assumption transactions; and
- The ability to integrate acquisitions and to achieve anticipated operating efficiencies.

General economic conditions may affect future results. Financial market volatility can significantly impact 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 $4.5 million in the third quarter of 2019 compared to $6.3 million in the third quarter of 2018. Net income per share was $0.47 in the third quarter of 2019 versus $0.64 in the same period in the prior year. Net income for the first nine months of 2019 was $13.8 million compared to $11.8 million in the same period in the prior year. Net income per share for the first nine months of 2019 was $1.43 compared to $1.22 one year earlier.

The following table presents condensed consolidated results of operations for the quarters and nine months ended September 30, 2019 and 2018.

	Quarter Ended September 30			Nine Months Ended September 30		
	2019	2018	% Change	2019	2018	% Change
Revenues:						
Insurance and other revenues	$ 88,343	$ 76,988	15 %	$ 268,018	$ 228,126	17 %
Net investment income	37,061	34,868	6 %	111,926	104,421	7 %
Net investment gains	1,037	3,516	(71)%	6,484	4,667	39 %
Benefits and expenses:						
Policyholder benefits and interest credited to policyholder account balances	84,532	74,152	14 %	257,517	219,423	17 %
Amortization of deferred acquisition costs	8,695	8,800	(1)%	26,746	29,588	(10)%
Operating expenses	27,756	24,746	12 %	85,329	73,841	16 %
Income tax expense	936	1,399	(33)%	2,998	2,517	19 %
Net income	$ 4,522	$ 6,275	(28)%	$ 13,838	$ 11,845	17 %

The Company acquired Grange Life on October 1, 2018. Grange Life is domiciled in the state of Ohio and is licensed in 15 states to sell traditional life insurance, universal life products, and fixed annuities. The acquisition of Grange Life has increased our existing block of business and has expanded our insurance sales through access to a wider distribution network of independent agents. Grange Life is included in the Individual Insurance segment. The results of Grange Life operations are included in our Consolidated Statements of Comprehensive Income for the quarter and nine months ended September 30, 2019.

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 September 30			Nine Months Ended September 30		
	2019	2018	% Change	2019	2018	% Change
New premiums:						
Traditional life insurance	$ 6,669	$ 4,890	36 %	$ 19,936	$ 15,091	32 %
Immediate annuities	6,436	7,593	(15)%	22,573	19,857	14 %
Group life insurance	699	760	(8)%	2,177	2,188	(1)%
Group accident and health insurance	2,653	2,834	(6)%	8,122	8,746	(7)%
Total new premiums	16,457	16,077	2 %	52,808	45,882	15 %
Renewal premiums	66,146	45,591	45 %	195,452	135,690	44 %
Total premiums	82,603	61,668	34 %	248,260	181,572	37 %
Reinsurance ceded	(27,296)	(14,095)	94 %	(79,337)	(44,070)	80 %
Net premiums	$ 55,307	$ 47,573	16 %	$ 168,923	$ 137,502	23 %

Consolidated total premiums increased $20.9 million or 34% in the third quarter of 2019 compared with the third quarter of 2018, reflecting a $0.4 million or 2% increase in new premiums and a $20.6 million or 45% increase in renewal premiums. New traditional life insurance premiums increased $1.8 million or 36%, primarily resulting from the addition of Grange Life sales of traditional life insurance. Partially offsetting this was a $1.2 million or 15% decrease in new immediate annuity premiums. Immediate annuity receipts can have sizeable fluctuations, as receipts from policyholders largely result from one-time premiums. The increase in renewal premiums reflected a $19.3 million or 64% increase in renewal traditional life insurance premiums. This improvement primarily resulted from the addition of $18.5 million in renewal traditional life insurance premiums from the Grange Life portfolio of existing business. Excluding Grange Life, renewal traditional life insurance premiums increased $0.8 million or 2%. Also, renewal traditional life insurance premiums from Old American increased $0.8 million or 4%, reflecting continued sales growth over the past several years. In addition, renewal group accident and health insurance premiums increased $0.8 million or 7% versus the prior year, largely from the disability lines.

Consolidated total premiums increased $66.7 million or 37% in the first nine months of 2019 compared with the first nine months of 2018, as new premiums increased $6.9 million or 15% and renewal premiums increased $59.8 million or 44%. The largest factor in the improvement in new premiums was a $4.8 million or 32% increase in new traditional life insurance premiums. This increase largely resulted from the addition of Grange Life sales of traditional life insurance, which added $4.1 million in the first nine months of 2019. In addition, new immediate annuity premiums increased $2.7 million or 14% compared to the prior year. The increase in renewal premiums reflected a $56.9 million or 63% increase in renewal traditional life insurance premiums, including $54.2 million in renewal traditional life insurance premiums from the Grange Life portfolio of existing business. Excluding Grange Life, renewal traditional life insurance premiums increased $2.6 million or 3%. In addition, renewal traditional life insurance premiums from Old American increased $2.6 million or 4%, reflecting continued sales growth over the past several years. Also, renewal group accident and health insurance premiums increased $1.9 million or 5% compared to the same period one year earlier, primarily from the disability lines, and renewal group life insurance premiums increased $1.0 million or 10%.

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 September 30			Nine Months Ended September 30		
	2019	2018	% Change	2019	2018	% Change
New deposits:						
Interest sensitive life	$ 3,322	$ 3,779	(12)%	$ 9,963	$ 11,318	(12)%
Fixed annuities	9,529	10,074	(5)%	37,161	36,830	1 %
Variable annuities	2,332	2,539	(8)%	7,201	9,894	(27)%
Total new deposits	15,183	16,392	(7)%	54,325	58,042	(6)%
Renewal deposits	37,236	32,299	15 %	115,641	101,211	14 %
Total deposits	$ 52,419	$ 48,691	8 %	$ 169,966	$ 159,253	7 %

General economic conditions and interest rates available in the marketplace can influence new deposits on interest sensitive products. In addition, fluctuations in the equity markets can influence the variable life and variable 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 $1.2 million or 7% in the third quarter of 2019 compared with the third quarter of 2018, reflecting a $0.5 million or 5% decline in new fixed annuity deposits and a $0.5 million or 12% decline in new interest sensitive life deposits. Total renewal deposits increased $4.9 million or 15% in the third quarter of 2019 compared to the prior year, primarily from a $4.8 million or 18% increase in renewal interest sensitive life deposits. The results for renewal interest sensitive life deposits included a $1.3 million or 80% increase in renewal indexed universal life deposits and a $3.7 million or 20% increase in renewal universal life deposits. The addition of the Grange Life portfolio contributed $4.3 million of renewal universal life deposits in the third quarter of 2019. Excluding Grange Life, renewal universal life deposits decreased $0.6 million or 3%.

Total new deposits decreased $3.7 million or 6% in the first nine months of 2019 compared with the same period in 2018, as new variable annuity deposits decreased $2.7 million or 27% and new interest sensitive life deposits decreased $1.4 million or 12%. The results for new interest sensitive life deposits included a $0.8 million or 29% increase in new universal life deposits that was offset by a $2.3 million or 27% decrease in new indexed universal life deposits. Total renewal deposits increased $14.4 million or 14% in the first nine months of 2019 compared to the prior year. This improvement included a $14.6 million or 18% increase in renewal interest sensitive life deposits and a $1.0 million or 7% increase in renewal fixed annuity deposits. Partially offsetting these, renewal variable annuity deposits declined $1.2 million or 16%. The results for renewal interest sensitive life deposits included a $10.3 million or 18% increase in renewal universal life deposits and a $5.2 million or 108% increase in renewal indexed universal life deposits. These improvements were partially offset by a $0.9 million or 5% decline in renewal variable universal life deposits. The addition of the Grange Life portfolio contributed $12.5 million of renewal universal life deposits in the first nine months of 2019. Excluding Grange Life, renewal universal life deposits decreased $2.2 million or 4%.

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 assessed on policyholder account balance withdrawals. 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. Contract charges are also potentially impacted by unlocking adjustments, as discussed below.

Total contract charges increased $3.5 million or 13% in the third quarter of 2019 compared to one year earlier. This increase reflected the addition of the Grange Life portfolio, which is included in the closed blocks. Contract charges on closed blocks increased $2.8 million or 27% in the third quarter of 2019 versus the third quarter of 2018. Excluding Grange Life, contract charges on closed blocks decreased $0.5 million or 5%, reflecting the runoff of the blocks of business. Total contract charges on closed blocks equaled 43% of total consolidated contract charges during the third quarter of 2019, up from 38% during the third quarter of 2018, which did not include Grange Life. Contract charges on open blocks increased $0.7 million or 4% in the third quarter of 2019 compared to the prior year.

Total contract charges increased $8.5 million or 10% in the first nine months of 2019 compared to the same period one year earlier. This increase was largely due to the addition of the Grange Life portfolio. Contract charges on closed blocks increased $8.3 million or 26% in the first nine months of 2019 compared with the prior year. Excluding Grange Life, contract charges on closed blocks decreased $1.9 million or 6%, reflecting the runoff of the blocks of business. Total contract charges on closed blocks equaled 43% of total consolidated contract charges during the first nine months of 2019, up from 38% during the first nine months of 2018, which did not include Grange Life. Contract charges on open blocks in the first nine months of 2019 were essentially flat compared with the prior year.

Investment Revenues
Gross investment income increased $2.4 million or 6% in the third quarter and $7.5 million or 6% in the first nine months of 2019 compared with the same periods in 2018. These improvements resulted from higher average invested assets, primarily from the addition of the Grange Life portfolio of investments. Excluding Grange Life, gross investment income declined $1.3 million or 3% in the third quarter and $3.7 million or 3% in the first nine months of 2019 compared to the prior year. These results reflected lower overall yields earned and available on certain investments.

Fixed maturity securities provide a majority of our investment income. Fixed maturity securities comprised 76% of total investments at September 30, 2019, up from 73% at December 31, 2018. Income from these investments increased $2.9 million or 12% in the third quarter and $8.0 million or 11% in the first nine months of 2019 compared to the prior year. These improvements were due to higher average investments, primarily from the addition of the Grange Life portfolio.

Investment income from real estate decreased $0.3 million or 5% in the third quarter and $1.0 million or 6% in the first nine months of 2019 compared to the prior year. These declines largely resulted from the sale of investment properties in 2018 that generated income in 2018 and not in 2019.

Net investment gains for the third quarter of 2019 totaled $1.0 million compared to $3.5 million in the third quarter of 2018. The net investment gains in the third quarter of 2019 included a $0.8 million gain from investment securities called and a $0.1 million gain from the change in the fair value of derivative instruments. The net investment gains for the third quarter of 2018 included a gain of approximately $4.0 million from the sale of a real estate investment property.

Net investment gains for the first nine months of 2019 totaled $6.5 million compared to $4.7 million in the first nine months of 2018. The net investment gains for the first nine months of 2019 included a $1.8 million gain from investment securities called, a $0.9 million gain from the change in the fair value of equity securities, and a $1.8 million gain from the change in the fair value of derivative instruments. In addition, the Company sold real estate investment properties that generated gains of approximately $1.8 million in 2019. The net investment gains for the first nine months of 2018 included a gain of approximately $4.0 million from the sale of a real estate investment property.

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 increased $9.5 million or 17% in the third quarter of 2019 compared to the prior year, largely due to the acquisition of Grange Life. Excluding Grange Life, policyholder benefits were essentially flat when comparing the two periods. Changes in the fair value of the guaranteed minimum withdrawal benefits (GMWB) rider increased benefit and contract reserves in the third quarter of 2019 compared with the third quarter of 2018, primarily due to lower interest rates. This was partially offset by decreased annuity and supplemental contract payments, which result in a decrease to the change in reserves on an equal and offsetting basis. In addition, death benefits, net of reinsurance, excluding Grange Life decreased in the third quarter of 2019 compared to the prior year.

Policyholder benefits increased $34.2 million or 21% in the first nine months of 2019 compared to one year earlier. Excluding Grange Life, policyholder benefits increased $4.6 million or 3%. This result was primarily due to an increase in benefit and contract reserves. Changes in the fair value of the GMWB rider increased benefit and contract reserves in the first nine months of 2019 compared to the prior year, largely due to lower interest rates. In addition, higher annuity premiums also increased benefit and contract reserves in the nine months as an increase in annuity premiums results in an increase to the change in reserves on an equal and offsetting basis. Partially offsetting these, death benefits, net of reinsurance, excluding Grange Life decreased compared to the prior year.

Amortization of DAC
The amortization of DAC decreased $0.1 million or 1% in the third quarter and $2.8 million or 10% in the first nine months of 2019 compared to the prior year. The decrease in the first nine months reflected improved investment performance in the separate accounts and a decrease in unlocking and refinements in estimates compared to one year earlier. In addition, the DAC for certain blocks of business became fully amortized in 2018 and thus did not contribute amortization in 2019.

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

The following tables summarize the effects of the refinements in estimates on all products and unlocking of assumptions on interest sensitive products in the Consolidated Statements of Comprehensive Income. Positive numbers are increases to income and negative numbers are reductions to income. The unlocking and refinements in estimates occurred during the second quarters of 2019 and 2018. No unlocking or refinements in estimates occurred in the first or third quarters of 2019 or 2018.

	Nine Months Ended September 30, 2019			
	DAC Amortization	VOBA Amortization	DRL Contract Charges	Net Impact to Pre-Tax Income
Unlocking	$ (350)	$ (538)	$ 763	$ (125)
Refinement in estimate	308	—	17	325
	$ (42)	$ (538)	$ 780	$ 200

	Nine Months Ended September 30, 2018			
	DAC Amortization	VOBA Amortization	DRL Contract Charges	Net Impact to Pre-Tax Income
Unlocking	$ (884)	$ (644)	$ 920	$ (608)
Refinement in estimate	71	—	—	71
	$ (813)	$ (644)	$ 920	$ (537)

The unlocking and refinements in estimates resulted in a net $0.2 million increase to pre-tax income in the first nine months of 2019. These adjustments primarily resulted from unlocking surrender rates and reinsurance as well as refinements of expense loads. These were partially offset by interest rate fluctuations.

The unlocking and refinements in estimates resulted in a net $0.5 million reduction to pre-tax income in the first nine months of 2018. These adjustments primarily resulted from interest rate fluctuations.

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 intangibles, and other expenses. In total, operating expenses increased $3.0 million or 12% in the third quarter and $11.5 million or 16% in the first nine months of 2019 compared to the same periods in the prior year. The increases in both periods reflected increased compensation costs and agent expenses as well as increases in expenses resulting from our acquisition of Grange Life.

Income Taxes
We recorded income tax expense of $0.9 million or 17% of income before tax in the third quarter of 2019, compared to income tax expense of $1.4 million or 18% of income before tax in the third quarter of 2018. The decrease in the effective tax rate was primarily due to permanent differences, which includes the dividends-received deduction, having a greater impact on the effective tax rate due to a decrease in pre-tax income. The third quarter 2019 statutory rate versus effective rate differences was larger than usual due to the variance in actual versus assumed pretax results.

We recorded income tax expense for the nine months ended September 30, 2019 of $3.0 million or 18% of income before tax, compared to income tax expense of $2.5 million or 18% of income before tax for the prior year period. While the effective tax rate did not change year to date, the permanent differences decreased the rate and the tax credit increased the rate by an offsetting and equal percentage.

The effective income tax rate was lower than the prevailing corporate federal income tax rate of 21% for the third quarters and first nine months of 2019 and 2018. 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.

	September 30 2019	% of Total	December 31 2018	% of Total
Fixed maturity securities	$ 2,947,064	76%	$ 2,704,079	73%
Equity securities	15,284	—%	14,424	1%
Mortgage loans	594,123	15%	639,559	17%
Real estate	183,979	5%	186,994	5%
Policy loans	88,273	2%	88,066	2%
Short-term investments	59,965	2%	58,712	2%
Other investments	7,993	—	5,355	—
Total	$ 3,896,681	100%	$ 3,697,189	100%

Fixed maturity securities were the largest component of total investments at September 30, 2019 and December 31, 2018. The largest categories of fixed maturity securities at September 30, 2019 consisted of 77% in corporate obligations, 9% in municipal securities, and 6% in U.S. Treasury securities and other obligations of the U.S. Government. At December 31, 2018, the largest categories of fixed maturity securities consisted of 75% in corporate obligations, 10% in municipal securities, and 7% 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 99% of total securities at September 30, 2019 and December 31, 2018.

The fair value of fixed maturity securities with unrealized losses was $91.7 million at September 30, 2019 compared with $1.3 billion at December 31, 2018. This decrease primarily reflected falling interest rates and tighter corporate bond spreads during 2019. At September 30, 2019, 96% of security investments with an unrealized loss were investment grade and accounted for 70% of the total unrealized losses. At December 31, 2018, 99% of securities with an unrealized loss were investment grade and accounted for 95% of the total unrealized losses.

At September 30, 2019, we had $195.2 million in gross unrealized gains on fixed maturity securities that offset gross unrealized losses of $3.6 million. At December 31, 2018, we had $59.0 million in gross unrealized gains on fixed maturity securities that offset $48.8 million in gross unrealized losses. At September 30, 2019, 97% of the fixed maturity securities portfolio had unrealized gains, an increase from 52% at December 31, 2018. We had a decrease in gross unrealized losses in most categories from December 31, 2018 to September 30, 2019 due to falling interest rates and tighter corporate bond spreads during 2019. Gross unrealized losses on fixed maturity securities for less than 12 months accounted for less than $0.3 million or 34% of the security values in a gross unrealized loss position at September 30, 2019 compared to $9.8 million and 40% of the security values in a gross unrealized loss position at December 31, 2018. Gross unrealized losses on fixed maturity security investments of 12 months or longer decreased from $39.0 million at December 31, 2018 to $3.3 million at September 30, 2019.

Residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade were 10% of the total mortgage-backed and asset-backed securities at September 30, 2019, compared to 13% at December 31, 2018.

We have written down certain investments in previous periods. Fixed maturity securities written down and still owned at September 30, 2019 and December 31, 2018 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 2019 or 2018.

Investments in mortgage loans totaled $594.1 million at September 30, 2019, down from $639.6 million at December 31, 2018. The commercial mortgage loan portfolio decreased $45.5 million during the first nine months of 2019, as regularly scheduled payments and the volume of prepaid loans exceeded new loan originations. Mortgage loan fundings decreased $24.5 million in the first nine months of 2019 compared to the prior year. The decrease in new mortgage loans was largely the result of maintaining strict underwriting standards to support our portfolio credit quality 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 $2.9 million at September 30, 2019 and $3.1 million at December 31, 2018.

Liquidity and Capital Resources

Liquidity

Statements made in our 2018 Annual Report remain pertinent, as our liquidity position is materially unchanged from year-end 2018.

Net cash used from operating activities was $12.6 million for the nine months ended September 30, 2019. The primary sources of cash from operating activities in the first nine months of 2019 were premium receipts and net investment income. The primary uses of cash from operating activities in the first nine months of 2019 were for the payment of policyholder benefits and operating expenses. Net cash used from investing activities was $11.4 million. The primary sources of cash from investing activities were sales, maturities, calls, and principal paydowns of investments totaling $264.0 million. Investment purchases, including new fixed maturities and mortgage loans, totaled $280.0 million. In addition, net purchases of short-term investments totaled $1.3 million and net dispositions of property and equipment totaled $4.1 million. Net cash provided by financing activities was $6.6 million, including $3.3 million of net transfers from separate accounts and $11.8 million of deposits, net of withdrawals, on policyholder account balances. These were partially offset by the payment of $7.8 million of 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.

	September 30 2019	December 31 2018
Total assets, excluding separate accounts	4,775,827	$ 4,597,752
Total stockholders' equity	812,487	691,706
Ratio of stockholders' equity to assets, excluding separate accounts	17%	15%

Stockholders' equity increased $120.8 million from year-end 2018, primarily due to an increase in net unrealized gains. This increase largely reflected fluctuations in the fair value of investments that resulted from falling interest rates and tighter corporate bond spreads. Stockholders' equity per share, or book value, equaled $83.90 at September 30, 2019, an increase from $71.43 at year-end 2018.

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 $117.6 million at September 30, 2019, a $114.8 million increase from net unrealized gains on available securities of $2.8 million at December 31, 2018.

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 2019, the Board of Directors authorized the purchase of up to one million of our shares on the open market through January 2020. No shares were purchased under this authorization during the first nine months of 2019.

On October 28, 2019, the Board of Directors declared a quarterly dividend of $0.27 per share payable on November 13, 2019 to stockholders of record on November 7, 2019.

Item 5. Legal Proceedings

We are, and in the future may be, subject to legal and regulatory actions in the ordinary course of our insurance operations. Pending legal actions include proceedings that have been brought on behalf of various alleged classes of complainants. In certain of these matters, the plaintiffs are seeking large and/or indeterminate amounts, including punitive or exemplary damages. Substantial legal liability in these or future legal or regulatory actions could have a material financial effect or cause significant harm to our reputation, which in turn could materially harm our business prospects. 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: November 12, 2019

/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: November 12, 2019

/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

	September 30 2019 (Unaudited)	December 31 2018
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value	$ 2,947,064	$ 2,704,079
Equity securities, at fair value	15,284	14,424
Mortgage loans	594,123	639,559
Real estate	183,979	186,994
Policy loans	88,273	88,066
Short-term investments	59,965	58,712
Other investments	7,993	5,355
Total investments	3,896,681	3,697,189
Cash	14,296	31,689
Accrued investment income	32,784	31,535
Deferred acquisition costs	280,721	291,168
Reinsurance recoverables	373,506	366,196
Other assets	177,839	179,975
Separate account assets	408,122	373,734
Total assets	$ 5,183,949	$ 4,971,486
LIABILITIES		
Future policy benefits	$ 1,324,419	$ 1,279,034
Policyholder account balances	2,244,152	2,261,860
Policy and contract claims	45,885	47,274
Other policyholder funds	171,991	174,984
Other liabilities	176,893	142,894
Separate account liabilities	408,122	373,734
Total liabilities	4,371,462	4,279,780
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	920,406	914,411
Accumulated other comprehensive income (loss)	69,236	(45,550)
Treasury stock, at cost (2019 and 2018 - 8,813,266 shares)	(241,301)	(241,301)
Total stockholders' equity	812,487	691,706
Total liabilities and stockholders' equity	$ 5,183,949	$ 4,971,486

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Kansas City Life Insurance Company
Consolidated Statements of Comprehensive Income

	Quarter Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
REVENUES				
Insurance revenues:				
Net premiums	$ 55,307	$ 47,573	$ 168,923	$ 137,502
Contract charges	31,321	27,807	94,406	85,902
Total insurance revenues	86,628	75,380	263,329	223,404
Investment revenues:				
Net investment income	37,061	34,868	111,926	104,421
Net investment gains	1,037	3,516	6,484	4,667
Total investment revenues	38,098	38,384	118,410	109,088
Other revenues	1,715	1,608	4,689	4,722
Total revenues	126,441	115,372	386,428	337,214
BENEFITS AND EXPENSES				
Policyholder benefits	65,294	55,832	199,106	164,941
Interest credited to policyholder account balances	19,238	18,320	58,411	54,482
Amortization of deferred acquisition costs	8,695	8,800	26,746	29,588
Operating expenses	27,756	24,746	85,329	73,841
Total benefits and expenses	120,983	107,698	369,592	322,852
Income before income tax expense	5,458	7,674	16,836	14,362
Income tax expense	936	1,399	2,998	2,517
NET INCOME	$ 4,522	$ 6,275	$ 13,838	$ 11,845
COMPREHENSIVE INCOME (LOSS), NET OF TAXES				
Changes in:				
Net unrealized gains (losses) on securities available for sale	$ 34,094	$ (7,719)	$ 143,291	$ (74,611)
Effect on deferred acquisition costs, value of business acquired, and deferred revenue liabilities	(2,833)	1,180	(12,813)	10,001
Future policy benefits	(2,869)	1,660	(15,427)	11,816
Policyholder account balances	(103)	27	(265)	152
Other comprehensive income (loss)	28,289	(4,852)	114,786	(52,642)
COMPREHENSIVE INCOME (LOSS)	$ 32,811	$ 1,423	$ 128,624	$ (40,797)
Basic and diluted earnings per share:				
Net income	$ 0.47	$ 0.64	$ 1.43	$ 1.22

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Kansas City Life Insurance Company
Consolidated Statements of Cash Flows

	Nine Months Ended September 30	
	2019	2018
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$ 13,838	$ 11,845
Adjustments to reconcile net income to net cash used from operating activities:		
Amortization of investment premium and discount	2,560	2,465
Depreciation and amortization	5,806	4,201
Acquisition costs capitalized	(35,448)	(32,091)
Amortization of deferred acquisition costs	26,746	29,588
Net investment gains	(6,484)	(4,667)
Changes in assets and liabilities:		
Reinsurance recoverables	(7,311)	(4,109)
Future policy benefits	25,856	15,344
Policyholder account balances	(33,177)	(20,685)
Income taxes payable and deferred	1,952	2,480
Other, net	(6,926)	(6,453)
Net cash used	(12,588)	(2,082)
INVESTING ACTIVITIES		
Purchases:		
Fixed maturity securities	(248,696)	(176,467)
Equity securities	—	(58)
Mortgage loans	(21,781)	(43,816)
Real estate	(1,513)	(6,244)
Policy loans	(5,913)	(17,907)
Other investments	(2,050)	(1,573)
Sales or maturities, calls, and principal paydowns:		
Fixed maturity securities	187,558	251,267
Equity securities	—	789
Mortgage loans	67,405	56,580
Real estate	2,189	10,326
Policy loans	5,705	20,322
Other investments	1,171	2,356
Net purchases of short-term investments	(1,253)	(70,351)
Net disposition (acquisition) of property and equipment	4,084	(18,985)
Post-acquisition purchase price adjustment received, net	1,663	—
Net cash provided (used)	(11,431)	6,239

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

	Nine Months Ended September 30	
	2019	2018
	(Unaudited)	
FINANCING ACTIVITIES		
Deposits on policyholder account balances	$ 169,966	$ 159,253
Withdrawals from policyholder account balances	(158,118)	(151,222)
Net transfers from separate accounts	3,319	2,874
Change in other deposits	(697)	(3,214)
Cash dividends to stockholders	(7,844)	(7,842)
Net cash provided (used)	6,626	(151)
Increase (decrease) in cash	(17,393)	4,006
Cash at beginning of year	31,689	9,504
Cash at end of period	$ 14,296	$ 13,510

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 four life insurance companies. Kansas City Life Insurance Company (Kansas City Life) is the parent company. Sunset Life Insurance Company of America (Sunset Life), Old American Insurance Company (Old American), and Grange Life Insurance Company (Grange Life) are wholly-owned insurance 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 2018 Annual Report, which is available on the OTCQX website. The interim consolidated financial statements and the accompanying notes for the quarters and nine months ended September 30, 2019 and 2018 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.

Acquisition

In the fourth quarter of 2018 the Company acquired all of the issued and outstanding stock of Grange Life Insurance Company. The purchase price was reduced $1.7 million during the first nine months of 2019 to settle certain items under the terms of the agreement. In addition, the agreement provides for performance-related contingent consideration based on certain future revenues of both Grange Life and the Company over a three year period from the closing date. Management established a contingent commission expense liability of $1.0 million, resulting in a total purchase price of approximately $74 million.

Goodwill resulting from the acquisition totaled $42.4 million at September 30, 2019. Goodwill was reduced $0.7 million during the first nine months of 2019 as a result of purchase price adjustments. The acquisition also included an intangible asset with a book value of $20.2 million at September 30, 2019. Amortization of the intangible asset totaled $0.3 million in the third quarter and $0.9 million in the first nine months of 2019 and is included in Operating Expenses in the Consolidated Statements of Comprehensive Income. Goodwill is tested for impairment at least annually. The intangible asset is reviewed for impairment when indicators of impairment are present. Goodwill and the intangible asset are included in Other Assets in the Consolidated Balance Sheets.

Significant Accounting Policies

Please refer to our 2018 Annual Report for a full discussion of our significant accounting policies. No significant updates or changes to these policies occurred during the quarter and nine months ended September 30, 2019.

2. New Accounting Pronouncements

Accounting Pronouncements Adopted During 2019

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842). Topic 842 includes a lessee model that requires most leases to be reported on the balance sheet. This guidance, including subsequently issued amendments, is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. We adopted this guidance effective January 1, 2019 with no material impact to our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04 Simplifying the Test for Goodwill Impairment. This update simplified the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. This update also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. This guidance is effective for fiscal years beginning after December 15, 2020, with early adoption allowed. We early-adopted this guidance effective January 1, 2019 with no material impact to our consolidated financial statements.

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 adopted this guidance effective January 1, 2019 with no material impact to our consolidated financial statements.

Accounting Pronouncements Issued, Not Yet Adopted

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 currently used 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 concerning our credit loss estimates. The measurement of expected credit losses will be based on current, historical, and forecasted information that impacts the collectability of the reported amount. Any credit losses related to available for sale debt securities will be recorded through a valuation allowance that is established and adjusted over time. The valuation allowance will be based on the probability of loss over the life of the instrument. Our investments subject to this guidance include, but are not limited to, fixed maturity securities available for sale, mortgage loans, and reinsurance recoverables. Additional disclosures will be required to provide 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. The original effective date for this guidance, including subsequently issued amendments, was for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. In August 2019, the FASB issued a Proposed Accounting Standards Update to defer the effective date of this guidance to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The delayed date was approved by the FASB in October 2019. We are currently evaluating this guidance.

In August 2018, the FASB issued ASU No. 2018-12 Targeted Improvements to the Accounting for Long-Duration Contracts. This update modifies the existing recognition, measurement, presentation, and disclosure requirements in ASC 944 Financial Services - Insurance (Topic 944). It focuses on improving the timeliness of recognizing changes in the liability for future policy benefits and requires that the discount rate assumption be updated at each reporting date. It simplifies the accounting for certain market-based options or guarantees associated with deposit contracts by requiring insurance entities to measure them at fair value. It also simplifies the amortization of deferred acquisition costs by requiring amortization on a constant level basis over the expected term of the related contracts. The original effective date for this guidance was for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. In August 2019, the FASB issued a Proposed Accounting Standards Update to defer the effective date of this guidance to fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The delayed date was approved by the FASB in October 2019. We are currently evaluating this guidance.

In August 2018, the FASB issued ASU No. 2018-13 Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. This update modifies the disclosure requirements for fair value measurements in ASC Topic 820 Fair Value Measurement. Specific fair value measurement disclosure requirements are removed, modified, or added. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. We are currently evaluating this guidance. However, it will not impact our earnings or financial position as the modifications only impact disclosures.

In August 2018, the FASB issued ASU No. 2018-14 Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans. This update modifies the disclosure requirements in ASC Subtopic 715-20 Compensation - Retirement Benefits - Defined Benefit Plans for employers that sponsor defined benefit pension or other postretirement plans. Specific fair value measurement disclosure requirements are removed, added, or clarified. This guidance is effective for fiscal years ending after December 15, 2020. We are currently evaluating this guidance. However, it will not impact our earnings or financial position as the modifications only impact disclosures.

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 Securities

Securities by Asset Class

The following table provides amortized cost and fair value of fixed maturity securities by asset class at September 30, 2019.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 176,371	$ 14,321	$ 28	$ 190,664
Federal agencies [1]	1,375	122	—	1,497
Federal agency issued residential mortgage-backed securities [1]	108,499	10,414	—	118,913
Subtotal	286,245	24,857	28	311,074
Corporate obligations:				
Industrial	454,042	24,022	101	477,963
Energy	164,998	11,633	999	175,632
Communications and technology	227,164	17,776	1	244,939
Financial	357,424	22,473	615	379,282
Consumer	637,320	32,936	204	670,052
Public utilities	284,269	22,935	192	307,012
Subtotal	2,125,217	131,775	2,112	2,254,880
Corporate private-labeled residential mortgage-backed securities	21,916	2,353	—	24,269
Municipal securities	231,172	33,736	3	264,905
Other	76,414	1,609	1,424	76,599
Redeemable preferred stocks	14,500	837	—	15,337
Total	$ 2,755,464	$ 195,167	$ 3,567	$ 2,947,064

[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 securities by asset class at December 31, 2018.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 179,208	$ 4,320	$ 382	$ 183,146
Federal agencies [1]	2,326	64	—	2,390
Federal agency issued residential mortgage-backed securities [1]	108,943	4,120	146	112,917
Subtotal	290,477	8,504	528	298,453
Corporate obligations:				
Industrial	479,823	6,978	7,110	479,691
Energy	166,231	4,461	4,362	166,330
Communications and technology	247,487	5,655	3,810	249,332
Financial	293,089	3,731	7,446	289,374
Consumer	594,892	4,717	13,963	585,646
Public utilities	266,358	6,265	6,728	265,895
Subtotal	2,047,880	31,807	43,419	2,036,268
Corporate private-labeled residential mortgage-backed securities	26,849	1,993	—	28,842
Municipal securities	246,815	16,557	1,693	261,679
Other	67,338	169	2,080	65,427
Redeemable preferred stocks	14,501	—	1,091	13,410
Total	$ 2,693,860	$ 59,030	$ 48,811	$ 2,704,079

[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.

	September 30, 2019		December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 123,866	$ 124,847	$ 118,311	$ 119,083
Due after one year through five years	799,562	829,530	777,498	779,903
Due after five years through ten years	1,049,495	1,122,127	1,088,868	1,080,109
Due after ten years	562,474	629,815	493,252	502,078
Securities with variable principal payments	205,567	225,408	201,430	209,496
Redeemable preferred stocks	14,500	15,337	14,501	13,410
Total	$ 2,755,464	$ 2,947,064	$ 2,693,860	$ 2,704,079

Unrealized Losses on Investments

At the end of each quarter, all fixed maturity 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 2018 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 that individual securities have been in a continuous unrealized loss position at September 30, 2019.

	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	$ 620	$ 1	$ 10,857	$ 27	$ 11,477	$ 28
Federal agency issued residential mortgage-backed securities [1]	—	—	16	—	16	—
Subtotal	620	1	10,873	27	11,493	28
Corporate obligations:						
Industrial	3,940	48	4,049	53	7,989	101
Energy	—	—	2,990	999	2,990	999
Communications and technology	—	—	1,998	1	1,998	1
Financial	7,865	81	5,356	534	13,221	615
Consumer	2,949	40	11,638	164	14,587	204
Public utilities	13,440	70	7,736	122	21,176	192
Subtotal	28,194	239	33,767	1,873	61,961	2,112
Municipal securities	414	3	—	—	414	3
Other	1,765	24	16,100	1,400	17,865	1,424
Total	$ 30,993	$ 267	$ 60,740	$ 3,300	$ 91,733	$ 3,567

[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 securities available for sale with unrealized losses by asset class and by length of time that individual securities have been in a continuous unrealized loss position at December 31, 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	$ 14,705	$ 32	$ 27,854	$ 350	$ 42,559	$ 382
Federal agency issued residential mortgage-backed securities [1]	922	5	7,135	141	8,057	146
Subtotal	15,627	37	34,989	491	50,616	528
Corporate obligations:						
Industrial	111,282	2,274	120,592	4,836	231,874	7,110
Energy	45,514	815	60,229	3,547	105,743	4,362
Communications and technology	65,157	1,057	51,688	2,753	116,845	3,810
Financial	59,036	1,122	115,355	6,324	174,391	7,446
Consumer	157,293	2,723	200,584	11,240	357,877	13,963
Public utilities	39,772	1,289	96,603	5,439	136,375	6,728
Subtotal	478,054	9,280	645,051	34,139	1,123,105	43,419
Municipal securities	9,329	78	46,655	1,615	55,984	1,693
Other	10,908	110	38,856	1,970	49,764	2,080
Redeemable preferred stocks	7,202	299	6,208	792	13,410	1,091
Total	$ 521,120	$ 9,804	$ 771,759	$ 39,007	$ 1,292,879	$ 48,811

[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.

	September 30 2019	December 31 2018
Below cost for less than one year	23	258
Below cost for one year or more and less than three years	13	287
Below cost for three years or more	12	13
Total	48	558

We do not consider the unrealized losses related to these securities to be credit-related. The unrealized losses at both September 30, 2019 and December 31, 2018 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 September 30, 2019.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$ 90,403	$ 88,012	$ 2,391
Unrealized losses of 20% or less and greater than 10%	908	731	177
Subtotal	91,311	88,743	2,568
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total investment grade	—	—	—
Below investment grade:			
Less than twelve months	3,989	2,990	999
Twelve months or greater	—	—	—
Total below investment grade	3,989	2,990	999
Unrealized losses greater than 20%	3,989	2,990	999
Subtotal	95,300	91,733	3,567
Securities owned with realized impairment:			
Unrealized losses of 10% or less	—	—	—
Unrealized losses of 20% or less and greater than 10%	—	—	—
Unrealized losses greater than 20%	—	—	—
Subtotal	—	—	—
Total	$ 95,300	$ 91,733	$ 3,567

The following table summarizes investments in fixed maturity securities available for sale with unrealized losses at December 31, 2018.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$ 1,287,248	$ 1,245,754	$ 41,494
Unrealized losses of 20% or less and greater than 10%	48,260	42,248	6,012
Subtotal	1,335,508	1,288,002	47,506
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	908	678	230
Twelve months or greater	—	—	—
Total investment grade	908	678	230
Below investment grade:			
Less than twelve months	3,987	2,960	1,027
Twelve months or greater	—	—	—
Total below investment grade	3,987	2,960	1,027
Unrealized losses greater than 20%	4,895	3,638	1,257
Subtotal	1,340,403	1,291,640	48,763
Securities owned with realized impairment:			
Unrealized losses of 10% or less	1,287	1,239	48
Unrealized losses of 20% or less and greater than 10%	—	—	—
Unrealized losses greater than 20%	—	—	—
Subtotal	1,287	1,239	48
Total	$ 1,341,690	$ 1,292,879	$ 48,811

The following table provides information on fixed maturity securities available for sale with unrealized losses by actual or equivalent Standard & Poor's rating at September 30, 2019.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	$ —	—%	$ —	—%
AA	28,008	30%	1,431	40%
A	26,268	29%	192	5%
BBB	33,522	37%	891	25%
Total investment grade	87,798	96%	2,514	70%
BB	—	—%	—	—%
B and below	3,935	4%	1,053	30%
Total below investment grade	3,935	4%	1,053	30%
	$ 91,733	100%	$ 3,567	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, 2018.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	$ 66,034	5%	$ 1,929	4%
AA	189,896	15%	5,885	12%
A	484,822	38%	18,201	37%
BBB	536,458	41%	20,696	42%
Total investment grade	1,277,210	99%	46,711	95%
BB	6,263	—%	733	2%
B and below	9,406	1%	1,367	3%
Total below investment grade	15,669	1%	2,100	5%
	$ 1,292,879	100%	$ 48,811	100%

Our residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade represented 46% of the fair value of the total below investment grade securities at September 30, 2019, down from 61% at December 31, 2018.

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.

	September 30, 2019		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Corporate Private-Labeled Residential MBS:			
Investment grade	$ 1,754	$ 1,681	$ 73
Below investment grade	22,515	20,235	2,280
Total residential & non-agency MBS	24,269	21,916	2,353
Other structured securities:			
Investment grade	76,599	76,414	185
Below investment grade	—	—	—
Total other structured securities	76,599	76,414	185
Total structured securities	$ 100,868	$ 98,330	$ 2,538

	December 31, 2018		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Corporate Private-Labeled Residential MBS:			
Investment grade	$ 1,707	$ 1,704	$ 3
Below investment grade	27,135	25,145	1,990
Total residential & non-agency MBS	28,842	26,849	1,993
Other structured securities:			
Investment grade	64,188	66,052	(1,864)
Below investment grade	1,239	1,286	(47)
Total other structured securities	65,427	67,338	(1,911)
Total structured securities	$ 94,269	$ 94,187	$ 82

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 September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Credit losses on securities held at beginning of the period	$ 3,914	$ 4,381	$ 4,381	$ 4,399
Additional credit losses on securities for which an other-than-temporary impairment was previously recognized	—	—	4	—
Reductions for securities sold	—	—	(471)	(18)
Credit losses on securities held at the end of the period	$ 3,914	$ 4,381	$ 3,914	$ 4,381

Investment Gains (Losses)

The following tables provide detail concerning investment gains and losses.

	Quarter Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Gross gains resulting from:				
Sales of investment securities	$ 43	$ 115	$ 108	$ 228
Investment securities called and other	829	158	1,837	967
Real estate	—	4,020	1,780	4,020
Disposal of affordable housing real estate joint venture	—	266	—	266
Total gross gains	872	4,559	3,725	5,481
Gross losses resulting from:				
Sales of investment securities	—	(1,833)	(62)	(1,833)
Investment securities called and other	(7)	(9)	(7)	(66)
Mortgage loans	—	(807)	—	(807)
Total gross losses	(7)	(2,649)	(69)	(2,706)
Change in allowance for loan losses	87	827	213	939
Change in fair value:				
Equity securities	(52)	(247)	860	(137)
Derivative instruments	137	1,026	1,759	1,090
Total change in fair value	85	779	2,619	953
Net realized investment gains, excluding other-than-temporary impairment losses	1,037	3,516	6,488	4,667
Net impairment losses recognized in earnings:				
Other-than-temporary impairment losses on fixed maturity securities	—	—	—	—
Portion of loss recognized in other comprehensive income (loss)	—	—	(4)	—
Net other-than-temporary impairment losses recognized in earnings	—	—	(4)	—
Net investment gains	$ 1,037	$ 3,516	$ 6,484	$ 4,667

The portion of loss recognized in other comprehensive income (loss) represents the non-credit portion of current or prior other-than-temporary impairment. Corporate private-labeled residential mortgage-backed and other securities had no impairments recorded in earnings during the quarter or nine months ended September 30, 2019. No other-than-temporary impairments were recorded in earnings during the quarter and nine months ended September 30, 2018.

No material derivative financial instruments were held as of September 30, 2019 or December 31, 2018. However, the change in fair value resulted in a realized gain of $0.1 million in the third quarter of 2019 and a realized gain of $1.0 million in the third quarter of 2018. The change in fair value resulted in a realized gain of $1.8 million in the first nine months of 2019 and a realized gain of $1.1 million in the first nine months of 2018.

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 September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Proceeds	$ 1,043	$ 64,747	$ 7,584	$ 79,348

Mortgage Loans

Investments in mortgage loans totaled $594.1 million at September 30, 2019, compared to $639.6 million at December 31, 2018. 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 $2.9 million at September 30, 2019 and $3.1 million at December 31, 2018. We had 15% of our total investments in commercial mortgage loans at September 30, 2019 and 17% at December 31, 2018. In addition to the subject collateral underlying the mortgage, we may require some amount of recourse from borrowers as another potential source of repayment should the loan default. Any recourse requirement deemed necessary is determined as part of the underwriting requirements of each loan. The average loan-to-value ratio for the overall portfolio was 44% at September 30, 2019 and 45% at December 31, 2018. This ratio is 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 refinanced two loans with a total outstanding balance of $1.7 million during the quarter and nine months ended September 30, 2019. We did not refinance any loans during the quarter ended September 30, 2018. We refinanced one loan with an outstanding balance of $4.2 million during the nine months ended September 30, 2018.

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 2018 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.

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 15,738	$ 174,926	$ —	$ 190,664
Federal agencies [1]	—	1,497	—	1,497
Federal agency issued residential mortgage-backed securities [1]	—	118,913	—	118,913
Subtotal	15,738	295,336	—	311,074
Corporate obligations:				
Industrial	—	477,963	—	477,963
Energy	—	175,632	—	175,632
Communications and technology	—	244,939	—	244,939
Financial	—	379,282	—	379,282
Consumer	—	670,052	—	670,052
Public utilities	—	307,012	—	307,012
Subtotal	—	2,254,880	—	2,254,880
Corporate private-labeled residential mortgage-backed securities	—	24,269	—	24,269
Municipal securities	—	264,905	—	264,905
Other	—	76,599	—	76,599
Redeemable preferred stocks	—	15,337	—	15,337
Fixed maturity securities	15,738	2,931,326	—	2,947,064
Equity securities	4,509	10,775	—	15,284
Short-term investments	59,965	—	—	59,965
Separate account assets	—	408,122	—	408,122
Total	$ 80,212	$ 3,350,223	$ —	$ 3,430,435
Percent of total	2%	98%	—%	100%
Liabilities:				
Other policyholder funds:				
Guaranteed minimum withdrawal benefits	$ —	$ —	$ 793	$ 793
Separate account liabilities	—	408,122	—	408,122
Total	$ —	$ 408,122	$ 793	$ 408,915

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

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 25,251	$ 157,895	$ —	$ 183,146
Federal agencies [1]	—	2,390	—	2,390
Federal agency issued residential mortgage-backed securities [1]	—	112,917	—	112,917
Subtotal	25,251	273,202	—	298,453
Corporate obligations:				
Industrial	—	479,691	—	479,691
Energy	—	166,330	—	166,330
Communications and technology	—	249,332	—	249,332
Financial	—	289,374	—	289,374
Consumer	—	585,646	—	585,646
Public utilities	—	265,895	—	265,895
Subtotal	—	2,036,268	—	2,036,268
Corporate private-labeled residential mortgage-backed securities	—	28,842	—	28,842
Municipal securities	—	261,679	—	261,679
Other	—	65,427	—	65,427
Redeemable preferred stocks	—	13,410	—	13,410
Fixed maturity securities	25,251	2,678,828	—	2,704,079
Equity securities	4,264	10,160	—	14,424
Short-term investments	58,712	—	—	58,712
Separate account assets	—	373,734	—	373,734
Total	$ 88,227	$ 3,062,722	$ —	$ 3,150,949
Percent of total	3%	97%	—%	100%
Liabilities:				
Other policyholder funds:				
Guaranteed minimum withdrawal benefits	$ —	$ —	$ (3,648)	$ (3,648)
Separate account liabilities	—	373,734	—	373,734
Total	$ —	$ 373,734	$ (3,648)	$ 370,086

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

The changes in the Level 3 guaranteed minimum withdrawal benefits (GMWB) liability measured at fair value on a recurring basis are summarized below:

	Quarter Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Beginning balance	$ (1,518)	$ (4,309)	$ (3,648)	$ (3,252)
Included in earnings	1,491	(235)	3,046	(1,535)
Included in other comprehensive income (loss)	—	—	—	—
Purchases, issuances, sales and other dispositions:				
Purchases	—	—	—	—
Issuances	90	23	328	170
Sales	—	—	—	—
Other dispositions	730	63	1,067	159
Ending balance	$ 793	$ (4,458)	$ 793	$ (4,458)

We did not have any transfers between any levels during the nine months ended September 30, 2019 or September 30, 2018.

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 2018 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 September 30, 2019.

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

	September 30 2019	December 31 2018
	Increase/(Decrease) in millions	
A 10% increase in the mortality assumption	$ (0.2)	$ (0.1)
A 10% decrease in the lapse assumption	0.3	—
A 10% increase in the benefit utilization	1.1	—
A 10 basis point increase in the credit spreads used for non-performance	(0.4)	(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.

	September 30, 2019				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Fixed maturity securities available for sale	$ 15,738	$ 2,931,326	$ —	$ 2,947,064	$ 2,947,064
Equity securities	4,509	10,775	—	15,284	15,284
Mortgage loans	—	—	612,658	612,658	594,123
Policy loans	—	—	88,273	88,273	88,273
Short-term investments	59,965	—	—	59,965	59,965
Separate account assets	—	408,122	—	408,122	408,122
Liabilities:					
Individual and group annuities	—	—	1,083,338	1,083,338	1,102,533
Supplementary contracts and annuities without life contingencies	—	—	52,325	52,325	53,304
Separate account liabilities	—	408,122	—	408,122	408,122
Other policyholder funds - GMWB	—	—	793	793	793

	December 31, 2018				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Fixed maturity securities available for sale	$ 25,251	$ 2,678,828	$ —	$ 2,704,079	$ 2,704,079
Equity securities	4,264	10,160	—	14,424	14,424
Mortgage loans	—	—	640,796	640,796	639,559
Policy loans	—	—	88,066	88,066	88,066
Short-term investments	58,712	—	—	58,712	58,712
Separate account assets	—	373,734	—	373,734	373,734
Liabilities:					
Individual and group annuities	—	—	1,049,195	1,049,195	1,068,577
Supplementary contracts and annuities without life contingencies	—	—	50,805	50,805	52,798
Separate account liabilities	—	373,734	—	373,734	373,734
Other policyholder funds - GMWB	—	—	(3,648)	(3,648)	(3,648)

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.

	September 30 2019	December 31 2018
Receivables:		
Agent receivables, net (allowance $1,488; 2018 - $1,496)	$ 2,198	$ 2,078
Investment-related financing receivables:		
Mortgage loans, net (allowance $2,916; 2018 - $3,129)	594,123	639,559
Total financing receivables	$ 596,321	$ 641,637

Agent Receivables

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

	September 30, 2019			December 31, 2018		
	Gross Receivables	Allowance	Net Receivables	Gross Receivables	Allowance	Net Receivables
Agent specific loans	$ 1,239	$ 600	$ 639	$ 1,210	$ 600	$ 610
Other agent receivables	2,447	888	1,559	2,364	896	1,468
Total	$ 3,686	$ 1,488	$ 2,198	$ 3,574	$ 1,496	$ 2,078

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

	September 30 2019	December 31 2018
Beginning of year	$ 1,496	$ 817
Additions	36	812
Deductions	(44)	(133)
End of period	$ 1,488	$ 1,496

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.

	September 30 2019	December 31 2018
Mortgage loans collectively evaluated for impairment	$ 524,498	$ 568,521
Mortgage loans individually evaluated for impairment	72,541	74,167
Allowance for loan losses	(2,916)	(3,129)
Carrying value	$ 594,123	$ 639,559

There was one Industrial mortgage loan with a carrying value of $4.2 million that was over 90 days past due at September 30, 2019. No mortgage loans were past due at December 31, 2018. We had no troubled loans that were restructured or modified during the quarters or nine months ended September 30, 2019 or 2018.

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

	September 30 2019	December 31 2018
Beginning of year	$ 3,129	$ 4,079
Provision	—	—
Deductions	(213)	(950)
End of period	$ 2,916	$ 3,129

Please refer to our 2018 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 2018 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 September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Federal income tax credits realized	$ 652	$ 688	$ 1,956	$ 2,064
Amortization	375	359	1,124	1,077

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 September 30, 2019 and December 31, 2018. The table includes investments in five real estate joint ventures and 16 affordable housing real estate joint ventures at both September 30, 2019 and December 31, 2018.

	September 30 2019		December 31 2018	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate joint ventures	$ 21,305	$ 21,305	$ 21,689	$ 21,689
Affordable housing real estate joint ventures	4,510	28,390	5,643	30,950
Total	$ 25,815	$ 49,695	$ 27,332	$ 52,639

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 September 30, 2019 and December 31, 2018, 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 September 30, 2019 included $19.4 million of losses which could be realized if the tax credits received by the VIEs were recaptured, compared to $19.7 million at December 31, 2018. 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 offer 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 $116.6 million at September 30, 2019. The fair value of the separate accounts with the GMWB rider was $115.2 million at December 31, 2018. The GMWB guarantee liability was $0.8 million at September 30, 2019 and $(3.6) million December 31, 2018. 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 $408.1 million at September 30, 2019 and $373.7 million at December 31, 2018, and corresponding separate account liabilities of an equal amount. The fixed-rate funds for these policies are included in our general account as Policyholder Account Balances. The Future Policy Benefits for the direct block approximated $0.5 million at both September 30, 2019 and December 31, 2018.

In addition, we have an assumed closed block of variable universal life and variable annuity business that totaled $307.2 million at September 30, 2019 and $285.6 million at December 31, 2018. 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 $31.5 million at September 30, 2019 and $30.6 million at December 31, 2018 are included in our general account as Policyholder Account Balances. The Future Policy Benefits for the assumed block approximated $0.6 million at both September 30, 2019 and December 31, 2018.

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 September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Gross liability at beginning of the period	$ 37,085	$ 33,707	$ 36,453	$ 34,040
Less reinsurance recoverable	(28,507)	(26,570)	(28,739)	(26,949)
Net liability at beginning of the period	8,578	7,137	7,714	7,091
Incurred benefits related to:				
Current year	6,660	6,899	21,123	20,859
Prior years [1]	(198)	(26)	2	(516)
Total incurred benefits	6,462	6,873	21,125	20,343
Paid benefits related to:				
Current year	6,491	6,293	17,266	16,995
Prior years	525	333	3,549	3,055
Total paid benefits	7,016	6,626	20,815	20,050
Net liability at end of the period	8,024	7,384	8,024	7,384
Reinsurance recoverable	27,571	27,241	27,571	27,241
Gross liability at end of the period	$ 35,595	$ 34,625	$ 35,595	$ 34,625

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

	Group Insurance Segment			
	Quarter Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Gross liability at beginning of the period	$ 31,767	$ 27,982	$ 31,188	$ 27,945
Less reinsurance recoverable	(23,423)	(21,155)	(23,796)	(21,231)
Net liability at beginning of the period	8,344	6,827	7,392	6,714
Incurred benefits related to:				
Current year	6,640	6,856	21,068	20,764
Prior years [1]	(193)	10	74	(418)
Total incurred benefits	6,447	6,866	21,142	20,346
Paid benefits related to:				
Current year	6,484	6,276	17,249	16,971
Prior years	518	322	3,496	2,994
Total paid benefits	7,002	6,598	20,745	19,965
Net liability at end of the period	7,789	7,095	7,789	7,095
Reinsurance recoverable	22,744	22,317	22,744	22,317
Gross liability at end of the period	$ 30,533	$ 29,412	$ 30,533	$ 29,412

[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.

	September 30	
	2019	2018
Individual Insurance Segment:		
Individual accident and health	$ 664	$ 543
Individual life	27,244	21,345
Deferred annuity	2,855	3,065
Subtotal	30,763	24,953
Group Insurance Segment:		
Group accident and health	30,533	29,412
Group life	2,446	2,230
Subtotal	32,979	31,642
Old American Segment:		
Individual accident and health	4,398	4,670
Individual life	6,461	5,975
Subtotal	10,859	10,645
Total	$ 74,601	$ 67,240

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 September 30, 2019 and $0.7 million at December 31, 2018.

9. Debt

We had no notes payable outstanding at September 30, 2019 or December 31, 2018.

As a member of the Federal Home Loan Bank of Des Moines (FHLB) with a capital investment of $4.8 million at September 30, 2019, 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 and nine months ended September 30, 2019 and 2018.

We have unsecured revolving lines of credit with three major commercial banks that totaled $80.0 million at September 30, 2019, with no balances outstanding. We had unsecured revolving lines of credit with two major commercial banks that totaled $70.0 million at December 31, 2018, with no balances outstanding. The lines of credit are at variable interest rates based upon short-term indices and will mature in June of 2020. 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.

The Company has access to secured borrowings through repurchase agreements with two major financial counterparties. The Company had no transactions that occurred under these agreements during the first nine months of 2019 and had no outstanding borrowings as of September 30, 2019. Any borrowings drawn under these agreements require a variable interest rate based upon short-term indices and approval from the counterparty at the time of the transaction. No securities are currently pledged under these agreements.

10. Income Taxes

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

	Quarter Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Federal income tax rate	21 %	21 %	21 %	21 %
Tax credits, net of equity adjustment	(6)%	(5)%	(6)%	(8)%
Permanent differences and other	2 %	2 %	3 %	5 %
Effective income tax rate	17 %	18 %	18 %	18 %

The following table provides information about taxes paid.

	Quarter Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Cash paid for income taxes	$ 500	$ 41	$ 988	$ 41

We had no material uncertain tax positions at September 30, 2019 or December 31, 2018.

At September 30, 2019, we had a current tax asset of $3.4 million and a $52.9 million net deferred tax liability, compared to a $4.3 million current tax asset and a $22.4 million net deferred tax liability at December 31, 2018.

11. Pensions and Other Postemployment Benefits (OPEB)

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

	Pension Benefits		OPEB	
	Quarter Ended September 30		Quarter Ended September 30	
	2019	2018	2019	2018
Service cost	$ —	$ —	$ 42	$ 56
Interest cost	1,154	1,069	165	157
Expected return on plan assets	(2,305)	(2,545)	—	—
Amortization of:				
Unrecognized actuarial net (gain) loss	718	599	(364)	(323)
Unrecognized prior service credit	(17)	(17)	—	(25)
Net periodic benefit credit	$ (450)	$ (894)	$ (157)	$ (135)

	Pension Benefits		OPEB	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Service cost	$ —	$ —	$ 126	$ 167
Interest cost	3,461	3,206	497	473
Expected return on plan assets	(6,917)	(7,633)	—	—
Amortization of:				
Unrecognized actuarial net (gain) loss	2,155	1,796	(1,093)	(969)
Unrecognized prior service credit	(50)	(50)	—	(75)
Net periodic benefit credit	$ (1,351)	$ (2,681)	$ (470)	$ (404)

12. Share-Based Payment

The Kansas City Life Insurance Company Omnibus Incentive Plan (long-term incentive plan) includes a long-term incentive benefit for senior management. The long-term incentive 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 2018 Annual Report for additional information regarding this plan.

The long-term incentive plan did not make a cash payment during the first nine months of 2019 for the three-year interval ended December 31, 2018. During the first nine months of 2018, the long-term incentive plan made cash payments totaling $0.2 million for the three-year interval ended December 31, 2017.

At each reporting period, an estimate of the share-based compensation expense is accrued, utilizing the share price at the period end. The cost of share-based compensation accrued as operating expense in the third quarter and first nine months of 2019 was less than $0.1 million, net of tax. The change in accrual for share-based compensation, net of tax, that reduced operating expense was $0.4 million for the nine months ended September 30, 2018.

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).

	Quarter Ended September 30, 2019		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized gains arising during the period:			
Fixed maturity securities	$ 44,021	$ 9,244	$ 34,777
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	865	182	683
Other-than-temporary impairment losses recognized in earnings	—	—	—
Other-than-temporary impairment losses recognized in other comprehensive income	—	—	—
Net unrealized gains excluding impairment losses	43,156	9,062	34,094
Effect on DAC, VOBA, and DRL	(3,586)	(753)	(2,833)
Change in future policy benefits	(3,632)	(763)	(2,869)
Change in policyholder account balances	(130)	(27)	(103)
Other comprehensive income	$ 35,808	$ 7,519	$ 28,289
Net income			4,522
Comprehensive income			$ 32,811

	Quarter Ended September 30, 2018		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized losses arising during the period:			
Fixed maturity securities	$ (11,358)	$ (2,386)	$ (8,972)
Less reclassification adjustments:			
Net realized investment losses, excluding impairment losses	(1,587)	(334)	(1,253)
Other-than-temporary impairment losses recognized in earnings	—	—	—
Other-than-temporary impairment losses recognized in other comprehensive loss	—	—	—
Net unrealized losses excluding impairment losses	(9,771)	(2,052)	(7,719)
Effect on DAC, VOBA, and DRL	1,494	314	1,180
Change in future policy benefits	2,101	441	1,660
Change in policyholder account balances	35	8	27
Other comprehensive loss	$ (6,141)	$ (1,289)	$ (4,852)
Net income			6,275
Comprehensive income			$ 1,423

	Nine Months Ended September 30, 2019		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized gains arising during the period:			
Fixed maturity securities	$ 183,253	$ 38,483	$ 144,770
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	1,876	394	1,482
Other-than-temporary impairment losses recognized in earnings	—	—	—
Other-than-temporary impairment losses recognized in other comprehensive income	(4)	(1)	(3)
Net unrealized gains excluding impairment losses	181,381	38,090	143,291
Effect on DAC, VOBA, and DRL	(16,219)	(3,406)	(12,813)
Change in future policy benefits	(19,528)	(4,101)	(15,427)
Change in policyholder account balances	(335)	(70)	(265)
Other comprehensive income	$ 145,299	$ 30,513	$ 114,786
Net income			13,838
Comprehensive income			$ 128,624

	Nine Months Ended September 30, 2018		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized losses arising during the period:			
Fixed maturity securities	$ (95,115)	$ (19,974)	$ (75,141)
Less reclassification adjustments:			
Net realized investment losses, excluding impairment losses	(671)	(141)	(530)
Other-than-temporary impairment losses recognized in earnings	—	—	—
Other-than-temporary impairment losses recognized in other comprehensive loss	—	—	—
Net unrealized losses excluding impairment losses	(94,444)	(19,833)	(74,611)
Effect on DAC, VOBA, and DRL	12,660	2,659	10,001
Change in future policy benefits	14,957	3,141	11,816
Change in policyholder account balances	192	40	152
Other comprehensive loss	$ (66,635)	$ (13,993)	$ (52,642)
Net income			11,845
Comprehensive loss			$ (40,797)

The following table provides accumulated balances related to each component of accumulated other comprehensive income (loss) at September 30, 2019, 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	$ 6,555	$ 1,517	$ (48,372)	$ (1,107)	$ (3,996)	$ (147)	$ (45,550)
Other comprehensive income (loss) before reclassification	144,527	243	—	(12,813)	(15,427)	(265)	116,265
Amounts reclassified from accumulated other comprehensive income (loss)	(1,482)	3	—	—	—	—	(1,479)
Net current-period other comprehensive income (loss)	143,045	246	—	(12,813)	(15,427)	(265)	114,786
End of period	$ 149,600	$ 1,763	$ (48,372)	$ (13,920)	$ (19,423)	$ (412)	$ 69,236

The following table provides accumulated balances related to each component of accumulated other comprehensive income (loss) at December 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	(64,695)	(657)	(5,823)	8,867	11,210	144	(50,954)
Amounts reclassified from accumulated other comprehensive income (loss)	290	—	—	—	—	—	290
Net current-period other comprehensive income (loss)	(64,405)	(657)	(5,823)	8,867	11,210	144	(50,664)
End of period	$ 6,555	$ 1,517	$ (48,372)	$ (1,107)	$ (3,996)	$ (147)	$ (45,550)

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 September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Reclassification adjustments related to unrealized gains (losses) on investment securities:				
Net realized investment gains (losses), excluding impairment losses[1]	$ 865	$ (1,587)	$ 1,876	$ (671)
Income tax benefit (expense)[2]	(182)	334	(394)	141
Net of taxes	683	(1,253)	1,482	(530)
Other-than-temporary impairment losses[1]	—	—	(4)	—
Income tax benefit [2]	—	—	1	—
Net of taxes	—	—	(3)	—
Total pre-tax reclassifications	865	(1,587)	1,872	(671)
Total income tax benefit (expense)	(182)	334	(393)	141
Total reclassification, net taxes	$ 683	$ (1,253)	$ 1,479	$ (530)

[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 third quarters and nine months ended September 30, 2019 and 2018 was 9,683,414. The number of shares outstanding at both September 30, 2019 and December 31, 2018 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 September 30, 2019			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 46,172	$ 16,446	$ 24,010	$ 86,628
Interest credited to policyholder account balances	19,238	—	—	19,238
Amortization of deferred acquisition costs	3,944	—	4,751	8,695
Income tax expense	345	433	158	936
Net income	2,305	1,630	587	4,522

	Quarter Ended September 30, 2018			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 36,777	$ 15,559	$ 23,044	$ 75,380
Interest credited to policyholder account balances	18,320	—	—	18,320
Amortization of deferred acquisition costs	4,169	—	4,631	8,800
Income tax expense	904	147	348	1,399
Net income	4,418	550	1,307	6,275

	Nine Months Ended September 30, 2019			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 143,860	$ 47,880	$ 71,589	$ 263,329
Interest credited to policyholder account balances	58,411	—	—	58,411
Amortization of deferred acquisition costs	11,903	—	14,843	26,746
Income tax expense	2,276	616	106	2,998
Net income	11,127	2,317	394	13,838

	Nine Months Ended September 30, 2018			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 108,770	$ 45,945	$ 68,689	$ 223,404
Interest credited to policyholder account balances	54,482	—	—	54,482
Amortization of deferred acquisition costs	15,162	—	14,426	29,588
Income tax expense	2,113	302	102	2,517
Net income	10,328	1,135	382	11,845

16. Commitments, Contingent Liabilities, Guarantees, and Indemnifications

Commitments

In the normal course of business, we have open purchase and sale commitments. At September 30, 2019, we had purchase commitments to fund mortgage loans of $6.1 million.

After September 30, 2019, we entered into commitments to fund additional mortgage loans of $4.6 million.

Contingent Liabilities, Guarantees, and Indemnifications

On March 1, 2019, the Delaware Department of Insurance requested Scottish Re (US) be placed in rehabilitation. Kansas City Life has ceded some of its business to Scottish Re (US), a subsidiary of Scottish Re Group. Based on the information currently available, the Company does not have sufficient information to make an assessment of the likelihood of any loss related to this matter. The Company will continue to closely monitor developments related to the rehabilitation proceeding.

Kansas City Life is involved in various pending or threatened legal proceedings, including purported class actions, arising from the conduct of business both in the ordinary course and otherwise. In some of the matters, very large and/or indeterminate amounts, including punitive and treble damages, are sought.

Due to the unpredictable nature of litigation, the outcome of a litigation matter and the amount or range of potential loss can be difficult to ascertain. We establish liabilities for litigation and other loss contingencies when available information indicates both that a loss is probable and the amount of the loss can be reasonably estimated. Some matters could require us to pay damages or make other expenditures or establish accruals in amounts that cannot be estimated as of September 30, 2019. Based on information currently known by management, management does not believe any such expenditures are likely to have a material adverse effect on Kansas City Life's financial condition.

Cost of Insurance Litigation

We are a defendant in three very similar putative class actions that allege that we applied cost of insurance rates in excess of amounts permitted by the terms of certain universal life insurance policies.

The three cases are:

- Meek v. KCL, filed in the U.S. District Court for the Western District of Missouri, in which the plaintiff seeks to represent all similar universal life policyholders residing outside of the State of Missouri and seeks damages on behalf of all such policyholders.
- Karr v. KCL, filed in the 16th District Court for the State of Missouri (Jackson County), in which plaintiff seeks to represent all similar universal life policyholders residing in the State of Missouri and seeks damages on behalf of all such policyholders.
- Sheldon v KCL, filed in the 16th District Court for the State of Missouri (Jackson County), in which plaintiff seeks to represent all similar variable universal life policyholders and seeks damages on behalf of all such policyholders.

We are vigorously defending each of these matters.

17. Subsequent Events

We evaluated events that occurred subsequent to September 30, 2019 through November 12, 2019, the date the consolidated financial statements were issued, and have identified the following subsequent event.

On October 28, 2019, the Kansas City Life Board of Directors declared a quarterly dividend of $0.27 per share, payable on November 13, 2019 to stockholders of record on November 7, 2019.

There have been no other subsequent events that occurred during such period that require disclosure in, or adjustment to, the consolidated financial statements as of and for the quarter and nine months ended September 30, 2019.