KANSAS CITY LIFE INSURANCE COMPANY

A Missouri Corporation

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

www.kclife.com

Investor Relations: Craig.Mason@kclife.com

SIC Code: 6311

QUARTERLY REPORT

For the Period Ending March 31, 2023
(the "Reporting Period")

The number of shares outstanding of our Common Stock was 9,683,414 as of March 31, 2023 (the end of reporting period)

The number of shares outstanding of our Common Stock was 9,683,414 as of December 31, 2022 (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

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Statement on Forward-Looking Information

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

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

- Changes in economic conditions, including the performance of financial markets, inflation, interest rates, recessionary risks, and systemic pressures in the banking system, including potential disruptions in the credit markets;
- Competition and changes in consumer behavior, which may affect our ability to sell our products and retain business;
- Competition in the recruitment and retention of general agents, agents, and employees;
- 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;
- The availability and effectiveness of reinsurance arrangements;
- Results of litigation we may be involved in; and
- The extent of the impacts resulting from catastrophic events such as natural disasters, pandemics, terrorist attacks, cyber attacks, international conflicts, and wars.

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:	(816) 753-7000
Issuer's Website:	www.kclife.com
Investor Relations:	A. Craig Mason Jr. Senior Vice President, General Counsel & Secretary Kansas City Life Insurance Company Post Office Box 219139 Kansas City, Missouri 64121-9139 Telephone: (816) 753-7000 ext. 8763 E-mail: Craig.Mason@kclife.com

Item 2. Shares Outstanding

Common Stock

	March 31, 2023
Number of Shares Authorized	36,000,000
Number of Shares Outstanding	9,683,414
Freely Tradable Shares (Public Float)	2,568,067
Total Number of Shareholders of Record	124

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

Item 3. Interim Consolidated Financial Statements

The interim consolidated financial statements of Kansas City Life Insurance Company as of and for the period ending March 31, 2023 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 audited consolidated financial statements and related notes included in our 2022 Annual Report, which is available on the OTC Markets Group website (*www.otcmarkets.com/stock/KCLI/filings*). The interim consolidated financial statements and the accompanying notes for the quarters ended March 31, 2023 and 2022 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, 2023.

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 Kansas City Life Insurance Company management 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. 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.

On May 25, 2022, retroactive to April 1, 2022, we entered into a reinsurance arrangement whereby we reinsured a sizeable block of fixed annuity contracts to a certified domestic reinsurer. This closed block of contracts reflected business issued prior to 2015 and consisted entirely of higher guaranteed interest rate products. We are accounting for this transaction as a deposit-type contract. For additional information on this reinsurance arrangement, please see Note 13 - Reinsurance.

The following is a discussion and analysis of the results of operations for the quarters ended March 31, 2023 and 2022 and our financial condition at March 31, 2023. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in this document, as well as our 2022 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, equity risk, and inflation risk;
- Timely and cost-effective access to liquidity;
- Management of distribution costs and operating expenses;
- Management of the operations of our affiliates;
- Management of blocks of business associated with reinsurance 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 increased inflationary environment and volatile equity markets have presented significant challenges to the interest rate environment, financial markets as a whole, and specifically to companies invested in fixed maturity securities and other fixed income investments. In addition, the continued impacts from the COVID-19 pandemic, systemic pressures in the banking system, and other events have caused increased economic uncertainty, financial market volatility, significant stress to businesses, supply chain shortages, decreased consumer confidence, increased labor shortages, and credit market disruptions. These conditions may persist into the future, affecting our financial position and financial statements. However, future conditions are highly uncertain and difficult to predict.

Consolidated Results of Operations

Summary of Results

We incurred a net loss of $3.2 million in the first quarter of 2023 compared to a net loss of $7.7 million in the first quarter of 2022. Net loss per share was $0.33 in the first quarter of 2023 compared to $0.79 in the first quarter of 2022.

The following table presents condensed consolidated results of operations for the quarters ended March 31, 2023 and 2022.

	Quarter Ended March 31,			
	2023	2022	$ Change	% Change
Revenues:				
Insurance and other revenues	$ 86,928	$ 85,159	$ 1,769	2 %
Net investment income	38,358	34,018	4,340	13 %
Net investment gains	683	54	629	1,165 %
Benefits and expenses:				
Policyholder benefits and interest credited to policyholder account balances	94,098	91,289	2,809	3 %
Amortization of deferred acquisition costs	9,181	9,634	(453)	(5)%
Operating expenses	26,801	27,742	(941)	(3)%
Income tax benefit	(870)	(1,758)	888	51 %
Net loss	$ (3,241)	$ (7,676)	$ 4,435	58 %

Insurance Revenues

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

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

	Quarter Ended March 31,			
	2023	2022	$ Change	% Change
New premiums:				
Traditional life insurance	$ 4,687	$ 4,958	$ (271)	(5)%
Immediate annuities	6,801	4,404	2,397	54 %
Group life insurance	689	645	44	7 %
Group accident and health insurance	2,749	2,141	608	28 %
Total new premiums	14,926	12,148	2,778	23 %
Renewal premiums	68,782	68,069	713	1 %
Total premiums	83,708	80,217	3,491	4 %
Reinsurance ceded	(28,942)	(27,613)	(1,329)	(5)%
Net premiums	$ 54,766	$ 52,604	$ 2,162	4 %

Consolidated total premiums increased $3.5 million or 4% in the first quarter of 2023 compared with the first quarter of 2022, as new premiums increased $2.8 million or 23% and renewal premiums increased $0.7 million or 1%. The improvement in new premiums largely resulted from a $2.4 million or 54% increase in new immediate annuity premiums. Immediate annuity receipts can have sizeable fluctuations, as receipts from policyholders largely result from one-time premiums. Internal rollovers from various individual annuity products decreased $0.2 million or 8% in the first quarter of 2023 versus the first quarter of 2022. In addition, new group accident and health insurance premiums increased $0.6 million or 28% compared to the prior year, resulting from improvements in each line of business. Partially offsetting these increases, new traditional life insurance premiums declined $0.3 million or 5% compared to the prior year. The increase in renewal premiums reflected a $0.4 million or 1% increase in renewal traditional life premiums, primarily from the Individual Insurance segment. In addition, renewal group accident and health insurance premiums increased $0.3 million or 2%, primarily from the disability lines of business.

Reinsurance ceded premiums increased $1.3 million or 5% in the first quarter of 2023 compared with the prior year. This increase reflected a reinsurance agreement that became effective January 1, 2022, whereby Old American began reinsuring 50% of new business on selected products. Effective October 1, 2022, this agreement was modified to reinsure 75% of new business on selected products.

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

	Quarter Ended March 31,			
	2023	2022	$ Change	% Change
New deposits:				
Interest sensitive life	$ 3,140	$ 3,783	$ (643)	(17)%
Fixed annuities	12,524	5,967	6,557	110 %
Variable annuities	1,480	3,998	(2,518)	(63)%
Total new deposits	17,144	13,748	3,396	25 %
Renewal deposits	35,195	38,936	(3,741)	(10)%
Total deposits	52,339	52,684	(345)	(1)%
Reinsurance ceded	(1,663)	—	(1,663)	— %
Net deposits	$ 50,676	$ 52,684	$ (2,008)	(4)%

General economic conditions and interest rates available in the marketplace influence new deposits on interest sensitive products. In addition, fluctuations in the equity markets influence the variable life and annuity products. Generally, volatile interest rate and increased inflationary environments present significant challenges to products such as these, and potential sizeable fluctuations in new sales can result between periods. Further, as described above, the pandemic and the general economic conditions have affected both new and renewal deposits.

Total new deposits increased $3.4 million or 25% in the first quarter of 2023 compared with the first quarter of 2022, primarily from a $6.5 million or 110% increase in new fixed annuity deposits. This improvement was partially offset by a $2.5 million or 63% decline in new variable annuity deposits and a $0.6 million or 17% decline in new interest sensitive life deposits. The decline in new interest sensitive life deposits reflected a $0.8 million or 22% decrease in new indexed universal life deposits. Total renewal deposits decreased $3.7 million or 10% in the first quarter of 2023 compared to the prior year, reflecting a $2.9 million or 50% decline in renewal fixed annuity deposits, a $0.4 million or 1% decline in renewal interest sensitive life deposits, and a $0.4 million or 20% decline in renewal variable annuity deposits.

Reinsurance ceded on deposits totaled $1.7 million in the first quarter of 2023, resulting from the deposit-type reinsurance agreement previously mentioned that became effective April 1, 2022.

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.

Total contract charges increased $0.2 million or 1% in the first quarter of 2023 compared to the first quarter of 2022. Contract charges on open blocks increased $0.4 million or 2%, largely from an increase in deferred revenue. Contract charges on closed blocks decreased $0.2 million or 1%, reflecting the runoff of the closed blocks of business. Total contract charges on closed blocks equaled 41% of total consolidated contract charges during the first quarter of 2023 down slightly from 42% during the first quarter of 2022.

Investment Revenues
Total net investment income increased $4.3 million or 13% in the first quarter of 2023 compared with the first quarter of 2022.

Net investment income on invested assets was essentially flat in the first quarter of 2023 compared with the first quarter of 2022, as an increase in overall yields earned on certain investments were partially offset by lower average invested assets. The lower invested assets primarily resulted from the sale of fixed maturity securities with a book value of approximately $502.0 million during the second quarter of 2022 as part of the deposit-type reinsurance transaction.

Fixed maturity securities provide a majority of our investment income. Net investment income from these investments decreased $0.1 million or less than 1% compared to one year earlier, reflecting higher overall yields earned that were offset by lower average invested assets. The lower invested assets primarily resulted from the sale of fixed maturity securities as part of the deposit-type reinsurance transaction.

Net investment income from commercial mortgage loans declined $0.3 million or 5% in the first quarter of 2023 compared with the prior year. This decline reflected lower prepayment fees, a slight decrease in yields earned, and a lower mortgage loan portfolio balance.

Net investment income from real estate decreased $0.4 million or 22% in the first quarter of 2023 compared to one year earlier. This decline was largely due to higher expenses including tenant improvements and leasing commissions. These were partially offset by an increase in income from new tenants, rental renewals, and rising rental rates.

Net investment income from short-term investments increased $0.4 million compared to the prior year. This improvement was primarily due to higher interest rates.

Net investment income resulting from the deposit-type reinsurance agreement which was effective April 1, 2022, was $4.3 million in the first quarter of 2023.

Investment Gains (Losses)
Net investment gains for the first quarter of 2023 totaled $0.7 million compared to $0.1 million in the first quarter of 2022. The change in fair value of other invested assets resulted in a gain of $1.1 million in the first quarter of 2023 compared to a loss of $1.1 million in the first quarter of 2022, reflecting the change in fair value on derivative instruments in the two periods. In addition, investment security sales and calls in the first quarter of 2023 generated a net gain of $0.3 million, compared to a net gain of $1.2 million in the first quarter of 2022. Also, the allowance for credit losses for fixed maturity securities was increased $0.5 million in the first quarter of 2023, due to a holding in Silicon Valley Bank which defaulted in the first quarter of 2023. This allowance was established under the newly-adopted Accounting Standards Update (ASU) No. 2016-13. For additional information, please see Note 2 - New Accounting Pronouncements.

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 $4.8 million or 7% in the first quarter of 2023 compared to the prior year. The largest factor in this increase was a $9.4 million increase in benefit and contract reserves compared to one year earlier. Contributing to this was an increase in annuity reserves, resulting from higher annuity premiums, and the change in the fair value of derivative instruments compared to the prior year. In addition, the increase in the fair value of the guaranteed minimum withdrawal benefits (GMWB) rider compared to the prior year contributed to the increase in reserves. The change in fair value of the GMWB rider reflected decreases in risk-free rates that were partially offset by increases in issuer discount spreads and favorable capital market returns. Partially offsetting the increase in reserves, death benefits, net of reinsurance decreased $5.9 million or 11% compared to one year earlier. While death benefits have been heavily affected by the COVID-19 pandemic, they are lower than peak quarters experienced during the pandemic. Mortality cost resulting specifically from COVID-19 was 1% of the total mortality cost for the first quarter of 2023, down from 12% for the first quarter of 2022. Mortality cost is defined as death benefits net of reinsurance and reserves released.

Interest Credited to Policyholder Account Balances

Interest is credited to policyholder account balances according to terms of the policies or contracts for universal life, fixed deferred annuities, and other investment-type products. There are minimum levels of interest crediting stipulated in certain policies or contracts, as well as allowances for adjustments to be made to reflect current market conditions in certain policies or contracts. Accordingly, the Company reviews and adjusts crediting rates as necessary and appropriate. Amounts credited are a function of account balances and current period crediting rates. As account balances fluctuate, so will the amount of interest credited to policyholder account balances. Interest credited to policyholder account balances decreased $2.0 million or 10% in the first quarter of 2023 compared to one year earlier, primarily from lower interest crediting on the indexed universal life product.

Amortization of DAC

The amortization of DAC decreased $0.5 million or 5% in the first quarter of 2023 compared to the prior year. This decrease was largely due to improved investment performance in the separate accounts.

Operating Expenses

Operating expenses consist of incurred commission expense from the sale of insurance products, net of the deferral of certain commissions and certain expenses directly associated with the successful acquisition of new business, expenses from our operations, the amortization of VOBA and intangibles, and other expenses.

Operating expenses decreased $0.9 million or 3% in the first quarter of 2023 compared to the prior year. This reflected decreases in agent commission expense, software amortization and maintenance, and legal fees. These were partially offset by an increase in employee compensation expenses, largely from an increase in the pension plan expense.

Income Taxes

We recorded an income tax benefit of $0.9 million in the first quarter of 2023 compared to an income tax benefit of $1.8 million in the first quarter of 2022. The decrease in income tax benefit in the first quarter of 2023 primarily occurred because of a lower pretax loss in the first quarter of 2023 compared to the first quarter in 2022.

The effective income tax rate was equal to the prevailing corporate federal income tax rate of 21% for the first quarter of 2023. The effective income tax rate was lower than the prevailing corporate of 21% for the first quarter of 2022. The lower effective income tax rate for 2022 was primarily due to tax credits from affordable housing investments, research and development credits, and permanent differences, which includes the dividend-received deduction.

Analysis of Investments

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

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

	March 31, 2023	% of Total	December 31, 2022	% of Total
Fixed maturity securities	$ 2,296,858	72 %	$ 2,204,819	71 %
Equity securities	1,866	— %	1,918	— %
Mortgage loans	582,047	18 %	591,928	19 %
Real estate	140,997	4 %	141,649	4 %
Policy loans	82,908	3 %	82,739	3 %
Short-term investments	48,488	2 %	58,497	2 %
Other investments	21,627	1 %	18,749	1 %
Total	$ 3,174,791	100 %	$ 3,100,299	100 %

Fixed maturity securities were the largest component of total investments at both March 31, 2023 and December 31, 2022. Fixed maturity securities increased from 71% of total investments at December 31, 2022 to 72% of total investments at March 31, 2023. This increase was primarily from a decrease in unrealized losses on the portfolio. The largest categories of fixed maturity securities at March 31, 2023 consisted of 72% in corporate obligations, 12% in municipal securities, and 4% in U.S. Treasury securities and obligations of the U.S. Government. We had 26% of the fixed maturity securities in private placements at both March 31, 2023 and December 31, 2022. The use of private placements offers an enhancement to our portfolio returns by providing access to higher yielding securities that choose to have a more limited offering at often lower cost.

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 98% of total securities at March 31, 2023 and 99% of total securities at December 31, 2022.

The fair value of fixed maturity securities with unrealized losses was $1.9 billion at March 31, 2023 compared with $2.0 billion at December 31, 2022. This decrease primarily reflected lower interest rates at March 31, 2023. At both March 31, 2023 and December 31, 2022, 99% of security investments with an unrealized loss were investment grade and accounted for 99% of the total unrealized losses.

At March 31, 2023, we had $13.6 million in gross unrealized gains on fixed maturity securities that were offset by gross unrealized losses of $226.0 million. At December 31, 2022, we had $8.3 million in gross unrealized gains on fixed maturity securities that were offset by $278.9 million in gross unrealized losses. At March 31, 2023, 15% of the fixed maturity securities portfolio had unrealized gains, an increase from 11% at December 31, 2022. Gross unrealized losses on fixed maturity securities for less than 12 months totaled $53.3 million and accounted for 51% of the security values in a gross unrealized loss position at March 31, 2023. Gross unrealized losses on fixed maturity securities for less than 12 months totaled $194.3 million and accounted for 85% of the security values in a gross unrealized loss position at December 31, 2022. Gross unrealized losses on fixed maturity security investments of 12 months or longer increased from $84.6 million at December 31, 2022 to $172.8 million at March 31, 2023.

At March 31, 2023, we recorded an allowance for credit losses on fixed maturity securities of $0.5 million. This allowance was established under the newly-adopted ASU No. 2016-13. For additional information, please see Note 2 - New Accounting Pronouncements.

Investments in mortgage loans totaled $582.0 million at March 31, 2023, down from $591.9 million at December 31, 2022. The commercial mortgage loan portfolio decreased by $9.9 million during the first quarter of 2023, as new loan originations and refinancing activity were lower than prepaid loans and regularly scheduled payments. Our mortgage loans are secured by commercial real estate. These loans are stated at the outstanding principal balance, adjusted for amortization of premium and accrual of discount, less an allowance for credit losses. We believe this allowance is at a level adequate to absorb estimated credit losses. This allowance was $1.7 million at March 31, 2023 and $2.8 million at December 31, 2022. This decrease reflects the assessment of the necessary allowance under the newly-adopted ASU No. 2016-13. For additional information, please see Note 2 - New Accounting Pronouncements.

Liquidity and Capital Resources

Liquidity

Management believes that the Company has sufficient sources of liquidity and capital resources to satisfy operational requirements and to finance expansion plans and strategic initiatives as they may occur. Primary sources of cash flow are premiums, other insurance considerations and deposits, receipts for policyholder accounts, investment sales and maturities, and investment income. We have a spread-based investment program utilizing advances from the Federal Home Loan Bank of Des Moines (FHLB) to provide additional liquidity. In addition, we have credit facilities that are available for additional working capital needs or investment opportunities. The principal uses of cash are for the insurance operations, including the purchase of investments, payment of insurance benefits, operating expenses, policyholder dividends, withdrawals from policyholder accounts, and costs related to acquiring new business. There can be no assurance that we will continue to generate cash flows at or above current levels or that our ability to borrow under the current credit facilities will be maintained.

We perform cash flow testing and add various levels of stress testing to potential surrender and policy loan levels in order to assess current and near-term cash and liquidity needs. In the event of increased surrenders and other cash needs, we have several sources of cash flow available to meet our needs.

Net cash used from operating activities was $4.9 million for the quarter ended March 31, 2023. Net cash used from investing activities was $17.7 million for the quarter ended March 31, 2023. The primary sources of cash provided by investing activities were from sales, maturities, calls, and principal paydowns of investments totaling $62.9 million. Investment purchases, including new fixed maturities and mortgage loans, totaled $90.6 million. Net cash provided by financing activities for the quarter ended March 31, 2023, was $20.2 million, including $2.5 million of deposits, net of withdrawals, on policyholder account balances, $1.4 million of net transfers from separate accounts, and $22.5 million change in deposit asset on reinsurance. These were partially offset by the payment of $1.4 million of stockholder dividends and a $4.8 million change in other deposits.

Capital Resources

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

	March 31, 2023	December 31, 2022
Total assets, excluding separate accounts	$ 4,616,614	$ 4,583,568
Total stockholders' equity	528,192	491,693
Ratio of stockholders' equity to assets, excluding separate accounts	11%	11%

Stockholders' equity increased $36.5 million from year-end 2022, primarily due to a decrease in net unrealized losses, reflecting lower interest rates at March 31, 2023. Stockholders' equity per share, or book value, equaled $54.55 at March 31, 2023, an increase from $50.78 at year-end 2022.

Net unrealized losses on available for sale securities, which are included as part of Accumulated Other Comprehensive 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 $153.2 million at March 31, 2023, a $41.8 million decrease from $195.0 million at December 31, 2022. The decline in unrealized losses reflected lower interest rates at March 31, 2023 compared to December 31, 2022.

In 2021, the Company began entering into advance funding agreements with the FHLB. Total obligations outstanding under these agreements, which mature between 2024 and 2027, were $100.0 million at March 31, 2023 and are reported as Policyholder Account Balances in the Consolidated Balance Sheets. Interest is credited based on variable rates set by the FHLB. Cash interest payments were $1.2 million during the quarter ended March 31, 2023 and less than $0.1 million during the quarter ended March 31, 2022.

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 (NAIC). We believe these statutory limitations impose no practical restrictions on future dividend payment plans.

In January 2023, the Board of Directors authorized the purchase of up to one million of our shares on the open market through January 2024. No shares were purchased under this authorization during the first quarter of 2023.

On April 24, 2023, the Board of Directors declared a quarterly dividend of $0.14 per share payable on May 10, 2023 to stockholders of record on May 4, 2023.

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 titled "Contingent Liabilities" in Note 17 - Commitments, Contingent Liabilities, Guarantees, and Indemnifications of the financial statements 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, Walter E. Bixby, certify that:

1. I have reviewed this quarterly disclosure statement of Kansas City Life Insurance Company;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: April 28, 2023

/s/ Walter E. Bixby
Walter E. Bixby
President, Chief Executive Officer,
and Vice Chairman of the Board

I, David A. Laird, certify that:

1. I have reviewed this quarterly disclosure statement of Kansas City Life Insurance Company;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: April 28, 2023

/s/ David A. Laird
David A. Laird
Senior Vice President, Finance

Exhibit 3.1 Interim Consolidated Financial Statements

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

Kansas City Life Insurance Company
Consolidated Balance Sheets

	March 31, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value (amortized cost: 2023 - $2,509,840; 2022 - $2,475,443) (net of allowance for credit losses: 2023 - $540; 2022 - $0)	$ 2,296,858	$ 2,204,819
Equity securities, at fair value (cost: 2023 and 2022 - $1,699)	1,866	1,918
Mortgage loans (net allowance for credit losses: 2023 - $1,741; 2022 - $2,753)	582,047	591,928
Real estate	140,997	141,649
Policy loans	82,908	82,739
Short-term investments	48,488	58,497
Other investments	21,627	18,749
Total investments	3,174,791	3,100,299
Cash	5,372	7,768
Accrued investment income	28,056	27,516
Deferred acquisition costs	319,060	327,544
Reinsurance recoverables (net of allowance for credit losses: 2023 - $1,772; 2022 - $0)	393,628	389,611
Deposit asset on reinsurance	466,188	484,410
Other assets	229,519	246,420
Separate account assets	390,482	381,581
Total assets	$ 5,007,096	$ 4,965,149
LIABILITIES		
Future policy benefits	$ 1,396,910	$ 1,388,924
Policyholder account balances	2,261,689	2,280,917
Policy and contract claims	74,090	56,975
Other policyholder funds	201,267	204,788
Other liabilities	154,466	160,271
Separate account liabilities	390,482	381,581
Total liabilities	4,478,904	4,473,456
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	905,129	910,438
Accumulated other comprehensive loss	(199,782)	(241,590)
Treasury stock, at cost (2023 and 2022 - 8,813,266 shares)	(241,301)	(241,301)
Total stockholders' equity	528,192	491,693
Total liabilities and stockholders' equity	$ 5,007,096	$ 4,965,149

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Kansas City Life Insurance Company
Consolidated Statements of Comprehensive Income

	Quarter Ended March 31, 2023	Quarter Ended March 31, 2022
	(Unaudited)	
REVENUES		
Insurance revenues:		
Net premiums	$ 54,766	$ 52,604
Contract charges	30,810	30,579
Total insurance revenues	85,576	83,183
Investment revenues:		
Net investment income	38,358	34,018
Net investment gains	683	54
Total investment revenues	39,041	34,072
Other revenues	1,352	1,976
Total revenues	125,969	119,231
BENEFITS AND EXPENSES		
Policyholder benefits	76,756	71,949
Interest credited to policyholder account balances	17,342	19,340
Amortization of deferred acquisition costs	9,181	9,634
Operating expenses	26,801	27,742
Total benefits and expenses	130,080	128,665
Loss before income tax benefit	(4,111)	(9,434)
Income tax benefit	(870)	(1,758)
NET LOSS	$ (3,241)	$ (7,676)
COMPREHENSIVE INCOME (LOSS), NET OF TAXES		
Changes in:		
Net unrealized gains (losses) on securities available for sale	$ 45,964	$ (165,506)
Effect on deferred acquisition costs, value of business acquired, and deferred revenue liabilities	(4,156)	13,649
Policyholder liabilities	—	20,820
Other comprehensive income (loss)	41,808	(131,037)
COMPREHENSIVE INCOME (LOSS)	$ 38,567	$ (138,713)
Basic and diluted earnings per share:		
Net loss	$ (0.33)	$ (0.79)

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Kansas City Life Insurance Company
Consolidated Statements of Cash Flows

	Quarter Ended March 31, 2023	Quarter Ended March 31, 2022
	(Unaudited)	
OPERATING ACTIVITIES		
Net loss	$ (3,241)	$ (7,676)
Adjustments to reconcile net loss to net cash used from operating activities:		
Amortization of investment premium and discount	417	581
Depreciation and amortization	1,523	1,870
Acquisition costs capitalized	(6,389)	(6,819)
Amortization of deferred acquisition costs	9,181	9,634
Net investment gains	(683)	(54)
Changes in assets and liabilities:		
Reinsurance recoverables	(5,789)	3,141
Future policy benefits	7,987	4,019
Policyholder account balances	(25,891)	(25,361)
Income taxes payable and deferred	(947)	(1,843)
Other, net	18,935	6,687
Net cash used	(4,897)	(15,821)
INVESTING ACTIVITIES		
Purchases:		
Fixed maturity securities	(83,709)	(87,008)
Mortgage loans	(3,240)	(28,562)
Real estate	(127)	(1,562)
Policy loans	(1,043)	(2,636)
Other investments	(2,299)	(2,216)
Property and equipment	(217)	(19)
Sales or maturities, calls, and principal paydowns:		
Fixed maturity securities	47,146	49,956
Mortgage loans	14,120	13,797
Real estate	55	2
Policy loans	873	2,424
Other investments	715	1,933
Property and equipment	31	—
Net sales of short-term investments	10,010	32,453
Net cash used	(17,685)	(21,438)

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

	Quarter Ended March 31,	
	2023	2022
	(Unaudited)	
FINANCING ACTIVITIES		
Policyholder account balances - deposits	$ 52,339	$ 52,684
Policyholder account balances - receipts from funding agreement	—	20,000
Withdrawals from policyholder account balances	(49,839)	(36,020)
Change in deposit asset on reinsurance, net	22,508	—
Net transfers from separate accounts	1,375	2,178
Change in other deposits	(4,841)	(18)
Cash dividends to stockholders	(1,356)	(2,615)
Net cash provided	20,186	36,209
Decrease in cash	(2,396)	(1,050)
Cash at beginning of year	7,768	5,419
Cash at end of period	$ 5,372	$ 4,369

Non-Cash Activity
There was no material non-cash activity during the quarters ended March 31, 2023 or 2022.

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) and its subsidiaries. Kansas City Life Insurance Company (Kansas City Life) is the parent company. Old American Insurance Company (Old American) and Grange Life Insurance Company (Grange Life) are wholly-owned insurance subsidiaries of Kansas City Life. 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 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 16 - 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 2022 Annual Report, which is available on the OTC Markets Group website (*www.otcmarkets.com/stock/KCLI/filings*). The interim consolidated financial statements and the accompanying notes for the quarters ended March 31, 2023 and 2022 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. Amounts are stated in thousands, except share data, security counts, or as otherwise noted.

Business Changes
On May 25, 2022, retroactive to April 1, 2022, we entered into a reinsurance arrangement whereby we reinsured a sizeable block of fixed annuity contracts to a certified domestic reinsurer. This closed block of contracts reflected business issued prior to 2015 and consisted entirely of higher guaranteed interest rate products. We are accounting for this transaction as a deposit-type contract. For additional information on this reinsurance arrangement, please see Note 13 - Reinsurance.

Current Economic Environment
The economic environment continues to be shaped by lingering effects of COVID-19, including ongoing supply chain disruptions and an under supply of labor, due to early retirements, lower rates of immigration, and a slow recovery of labor participation rates. Systemic pressures in the banking system have also caused disruptions in the credit markets. Additionally, the Russia/Ukraine War has caused oil, gas, and agricultural product supply disruptions. Inflation jumped significantly due to the supply chain disruptions and under supply of labor with year-over-year CPI (consumer price index) and Core PCE (personal consumption expenditures) peaking in 2022 at 9.1% and 5.4%, respectively. In response, Global Central Banks increased rates and initiated quantitative tightening, with the Federal Reserve raising its benchmark overnight rate by 475 basis points (bps) from March 15, 2022 through March 31, 2023. The bond market responded with the 10-year Treasury yield increasing 196 bps from 1.51% at December 31, 2021 to 3.47% at March 31, 2023. The jump in rates has impacted the economy by slowing growth and increasing the risk of a recession. The investment environment has been both positively and negatively impacted. While it has created a better environment for reinvestment into fixed income assets at higher yields, it has also resulted in a significant decline in the market value of existing fixed income assets. Additionally, if the economy experiences a “hard landing” and enters a recession, risk of asset impairments, defaults, and delinquencies will increase.

Significant Accounting Policies
Please refer to our 2022 Annual Report for a full discussion of our significant accounting policies. Other than as described below, no significant updates or changes to these policies occurred during the quarter ended March 31, 2023.

Credit Losses on Fixed Maturity Securities
The Company periodically evaluates securities for impairment when fair value is less than amortized cost, interest payments are missed, and the security is experiencing credit issues. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in estimated fair value as described in Note 3 - Investments.

The Company adopted ASU No. 2016-13 Measurement of Credit Losses on Financial Instruments effective January 1, 2023. After adoption of this guidance, a credit loss is recognized in Net Investment Gains in the Consolidated Statements of Comprehensive Income for securities in an unrealized loss position when it is anticipated that the amortized cost, excluding accrued investment income, will not be recovered. When either the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security before recovery, the reduction of amortized cost and the loss recognized in earnings is the difference between the security's amortized cost and estimated fair value. If neither of these conditions exists, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized in earnings as a credit loss by establishing an allowance for credit losses with a corresponding charge recorded in net investment gains (losses). However, the allowance for credit losses is limited by the amount that the fair value is less than the amortized cost. If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of the decline in value related to other-than-credit factors is recorded in Other Comprehensive Income (Loss) as an unrealized loss.

During the year ended December 31, 2022, prior to the adoption of credit loss guidance on January 1, 2023, the Company applied other-than-temporary impairment loss guidance for securities in an unrealized loss position. An other-than-temporary impairment was recognized in investment revenues within net investment gains (losses) when it was anticipated that the amortized cost would not be recovered. When either the Company had the intent to sell the security, or it was more likely than not that the Company would be required to sell the security before recovery, the reduction of amortized cost and the other-than-temporary impairment loss recognized in earnings was the difference between the security's amortized cost and estimated fair value. If neither of these conditions existed, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected was recognized as a reduction of amortized cost and an other-than-temporary impairment loss in earnings. If the estimated fair value was less than the present value of projected future cash flows expected to be collected, this portion of other-than-temporary impairment loss related to noncredit loss was recorded in Other Comprehensive Income (Loss) as an unrecognized loss.

Credit Losses on Mortgage Loans
Upon adoption of ASU No. 2016-13, credit losses on mortgage loans are recognized in Net Investment Gains in the Consolidated Statements of Comprehensive Income. For mortgage loan investments, we use the Weighted Average Remaining Maturity method, which utilizes an average annual charge-off rate applied to the mortgage loan's remaining maturity schedule. In determining the Company's expected credit loss, management applies significant judgment to estimate expected lifetime credit losses, including pooling mortgage loans that share similar risk characteristics and past events and current and forecasted economic conditions. The expected credit loss is calculated based on inputs unique to the individual loan portfolio. On an ongoing basis, mortgage loans with dissimilar risk characteristics are evaluated individually for credit loss, such as loans with significant declines in credit quality, collateral dependent mortgage loans (for example when the borrower is experiencing financial difficulty, including when foreclosure is reasonably possible or probable), and reasonably expected troubled debt restructurings. The expected credit loss for mortgage loans evaluated individually are established using specific cash flow assessments. For example, the expected credit loss for a collateral dependent loan is established as the excess of amortized cost over the estimated fair value of the loan's underlying collateral, less selling costs when foreclosure is probable.

Credit Losses on Reinsurance Recoverables
The Company's reinsurance recoverables are financial assets that are subject to the credit loss requirements of ASU No. 2016-13. Our credit loss analysis includes historical loss information, historical credit rating data, and existing collateral arrangements to estimate expected credit losses over the life of the reinsurance recoverables. Upon adoption of this guidance, credit losses on reinsurance recoverables are recognized in Policyholder Benefits in the Consolidated Statements of Comprehensive Income.

2. New Accounting Pronouncements

Accounting Pronouncements Adopted During 2023

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13 Measurement of Credit Losses on Financial Instruments. Under this guidance, the incurred loss impairment methodology used for loans and other financial instruments was replaced by a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information concerning credit loss estimates. The measurement of expected credit losses is 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 are recorded through a valuation allowance that is established and adjusted over time. The valuation allowance is based on the probability of loss over the life of the instrument. Our assets subject to this guidance include, but are not limited to, fixed maturity securities available for sale, mortgage loans, agent receivables, and reinsurance recoverables. Additional disclosures are 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. Effective January 1, 2023, we adopted this guidance related to fixed maturity securities available for sale, mortgage loans, agent receivables, and reinsurance recoverables using a modified retrospective approach. The impact of this change in accounting principle was $0.7 million and was recorded as a charge to retained earnings in the first quarter of 2023, reflecting an initial allowance reduction for estimated credit losses of $1.1 million on mortgage loans and reserve increase of $1.8 million on reinsurance recoverables. For additional information on the adoption of this guidance, please see Note 3 - Investments, Note 5 - Financing Receivables, and Note 13 - Reinsurance. Certain disclosures required by ASU 2016-13 are not included in the Consolidated Financial Statements as the impact of this standard was not material.

The following table presents the impact within retained earnings from the adoption of ASU No. 2016-13 on January 1, 2023.

Beginning of year	$ 910,438
Net loss	(3,241)
Stockholder dividends	(1,356)
Cumulative effect of adoption of new accounting principle	(712)
End of period	$ 905,129

Accounting Pronouncements Issued, Not Yet Adopted

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 requires insurance entities to (1) review and update the assumptions used to measure cash flows at least annually and (2) update the discount rate assumption at each reporting date. The change in the liability estimate as a result of updating cash flow assumptions is required to be recognized in net income. The change in the liability estimate as a result of updating the discount rate assumption is required to be recognized in other comprehensive income. Expected future cash flows are required to be discounted at an upper-medium grade (low-credit-risk) fixed income instrument yield that maximizes the use of observable market inputs.

- 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. The portion of any change in fair value attributable to a change in the instrument-specific credit risk is required to be recognized in other comprehensive income.

- It simplifies the amortization of deferred acquisition costs by requiring amortization on a constant level basis over the expected term of the related contracts. Deferred acquisition costs are required to be written off for unexpected contract terminations but are not subject to an impairment test.

- It improves the effectiveness of the required disclosures. It requires an insurance entity to provide disaggregated rollforwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. It also requires disclosures regarding significant inputs, judgments, assumptions, and methods used in measurement, including changes in those inputs, judgments, and assumptions, and the effect of those changes on measurement.

The original effective date for this guidance was for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The FASB deferred the effective date of this guidance to fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025. We are currently evaluating this guidance.

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

3. Investments

Fixed Maturity Securities

Securities by Asset Class
The following table provides amortized cost and fair value of fixed maturity securities by asset class at March 31, 2023.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 107,964	$ 88	$ 4,819	$ —	$ 103,233
Federal agency issued residential mortgage-backed securities [1]	59,683	152	4,224	—	55,611
Subtotal	167,647	240	9,043	—	158,844
Corporate obligations:					
Industrial	336,863	1,568	32,693	—	305,738
Energy	78,139	1,033	2,277	—	76,895
Communications and technology	187,353	1,666	16,421	—	172,598
Financial	407,313	921	48,370	540	359,324
Consumer	491,839	1,083	49,194	—	443,728
Public utilities	322,456	2,254	35,660	—	289,050
Subtotal	1,823,963	8,525	184,615	540	1,647,333
Municipal securities	281,914	4,558	19,670	—	266,802
Other	230,316	274	11,992	—	218,598
Redeemable preferred stocks	6,000	—	719	—	5,281
Total	$ 2,509,840	$ 13,597	$ 226,039	$ 540	$ 2,296,858

[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, 2022.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 108,928	$ 58	$ 6,147	$ 102,839
Federal agency issued residential mortgage-backed securities [1]	61,753	113	5,373	56,493
Subtotal	170,681	171	11,520	159,332
Corporate obligations:				
Industrial	340,954	1,116	41,768	300,302
Energy	77,317	905	3,056	75,166
Communications and technology	179,731	1,143	21,158	159,716
Financial	400,705	891	51,941	349,655
Consumer	490,378	416	62,472	428,322
Public utilities	314,428	1,079	43,260	272,247
Subtotal	1,803,513	5,550	223,655	1,585,408
Municipal securities	275,726	2,529	28,429	249,826
Other	219,523	36	14,532	205,027
Redeemable preferred stocks	6,000	—	774	5,226
Total	$ 2,475,443	$ 8,286	$ 278,910	$ 2,204,819

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

The following table provides information on fixed maturity securities available for sale by actual or equivalent Standard & Poor's rating at March 31, 2023 with the percent of total unrealized losses identified. Fair value has been adjusted to include an allowance for credit losses.

	Amortized Cost	Fair Value	Net Unrealized Losses	% of Total
AAA	$ 215,363	$ 206,280	$ (9,083)	4 %
AA	542,482	505,333	(37,149)	17 %
A	828,351	745,345	(83,006)	39 %
BBB	895,452	815,310	(80,142)	38 %
Total investment grade	2,481,648	2,272,268	(209,380)	98 %
BB	20,080	18,487	(1,593)	1 %
B and below	8,112	6,103	(1,469)	1 %
Total below investment grade	28,192	24,590	(3,062)	2 %
Total	$ 2,509,840	$ 2,296,858	$ (212,442)	100 %

The following table provides information on fixed maturity securities available for sale by actual or equivalent Standard & Poor's rating at December 31, 2022 with the percent of total unrealized gains identified.

	Amortized Cost	Fair Value	Net Unrealized Losses	% of Total
AAA	$ 208,729	$ 194,405	$ (14,324)	5 %
AA	546,851	496,436	(50,415)	19 %
A	802,345	698,467	(103,878)	38 %
BBB	896,722	797,573	(99,149)	37 %
Total investment grade	2,454,647	2,186,881	(267,766)	99 %
BB	14,643	13,386	(1,257)	— %
B and below	6,153	4,552	(1,601)	1 %
Total below investment grade	20,796	17,938	(2,858)	1 %
Total	$ 2,475,443	$ 2,204,819	$ (270,624)	100 %

Contractual Maturities

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

	March 31, 2023		December 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 82,819	$ 82,144	$ 90,979	$ 90,357
Due after one year through five years	496,525	479,327	484,320	465,698
Due after five years through ten years	763,909	699,335	734,071	653,998
Due after ten years	1,039,866	917,502	1,036,509	875,295
Securities with variable principal payments	120,721	113,269	123,564	114,245
Redeemable preferred stocks	6,000	5,281	6,000	5,226
Total	$ 2,509,840	$ 2,296,858	$ 2,475,443	$ 2,204,819

Unrealized Losses on Investments

At the end of each quarter, all fixed maturity securities are reviewed to determine the cause of the decline in the estimated fair value of the security and to assess the prospects for near-term recovery. This quarterly process includes an assessment of the credit quality of each investment in the entire securities portfolio.

We consider relevant facts and circumstances in performing the credit loss evaluation of a security. Relevant facts and circumstances considered include but are not limited to:

- The current fair value of the security as compared to amortized cost;
- The credit rating of the security;
- The extent the fair value has been below amortized cost;
- The financial position of the issuer, including the current and future impact of any specific events, material declines in the issuer's revenues, margins, cash positions, liquidity issues, asset quality, debt levels, and income results;
- Significant management or organizational changes of the issuer;
- Significant uncertainty regarding the issuer's industry;
- Violation of financial covenants;
- Consideration of information or evidence that supports timely recovery;
- The intent and ability to hold a security until it recovers in value;
- Whether we intend to sell the security and whether it is more likely than not that we will be required to sell the security before recovery of the amortized cost basis; and
- Other business factors related to the issuer's industry.

Once a security is determined to have met certain of the criteria for credit loss, further information is gathered and evaluated pertaining to the particular security. If the security is an unsecured obligation, the additional research is a top-down approach with particular emphasis on the likelihood of the issuer to meet the contractual terms of the obligation. If the security is secured by an asset or guaranteed by another party, the value of the underlying secured asset or the financial ability of the third-party guarantor is evaluated as a secondary source of repayment. Such research is based upon a top-down approach, narrowing to the specific estimates of value and cash flow of the underlying secured asset or guarantor. If the security is a collateralized obligation, such as a mortgage-backed or other asset-backed instrument, research is also conducted to obtain and analyze the performance of the collateral relative to expectations at the time of acquisition and with regard to projections for the future. Such analyses are based upon historical results, trends, comparisons to collateral performance of similar securities, and analyses performed by third parties. This information is used to develop projected cash flows that are compared to the amortized cost of the security.

We may selectively determine that we no longer intend to retain a specific issue to its maturity. If we make this determination and the fair value is less than the cost basis, the investment is written down to the fair value. Subsequently, we seek to obtain the best possible outcome available for this specific issue and record an investment gain or loss at the disposal date.

To the extent we determine a credit loss exists for a fixed maturity security, the portion of the impairment that is deemed to be due to credit is charged to earnings in the Consolidated Statements of Comprehensive Income. The portion of such impairment that is determined to be non-credit related is reflected in Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss.

After the adoption of ASU No. 2016-13 on January 1, 2023, in periods subsequent to the recognition of an initial allowance for credit losses on a security, the Company reassesses credit loss quarterly. Subsequent increases or decreases in the expected cash flow from the security result in corresponding decreases or increases in the allowance which are recognized in earnings and reported within investment revenues. However, the previously recorded allowance is not reduced to an amount below zero. Full or partial write-offs are deducted from the allowance in the period the security, or a portion thereof, is considered uncollectible. Recoveries of amounts previously written down are recorded to the allowance in the period determined. When the Company has the intent to sell the security, or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost, any allowance is written off and the amortized cost is written down to estimated fair value through a charge to realized investment gains or losses, which becomes the new amortized cost of the security.

Methodologies used during the year ended December 31, 2022 to evaluate the recoverability of a security in an unrealized loss position using other-than-temporary impairment guidance were similar to those used after the adoption of credit loss guidance on January 1, 2023, except for consideration of the length of time estimated fair value had been below amortized cost was also considered for securities. In addition, measurement methodologies were similar, except a fair value floor was not utilized to limit the credit loss recognized in earnings; an allowance for credit losses was not utilized; and subsequent to a credit loss being recognized, increases in expected cash flows from the security did not result in an immediate increase in valuation recognized in earnings through investment revenues from a reduction of the allowance.

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 March 31, 2023. Fair value has been adjusted to include an allowance for credit losses.

	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	$ 77,432	$ 3,056	$ 19,007	$ 1,763	$ 96,439	$ 4,819
Federal agency issued residential mortgage-backed securities [1]	29,538	1,659	19,363	2,565	48,901	4,224
Subtotal	106,970	4,715	38,370	4,328	145,340	9,043
Corporate obligations:						
Industrial	107,758	5,457	144,978	27,236	252,736	32,693
Energy	37,228	1,194	10,989	1,083	48,217	2,277
Communications and technology	73,762	3,068	62,899	13,353	136,661	16,421
Financial	156,433	11,779	168,760	36,591	325,193	48,370
Consumer	216,839	10,382	189,108	38,812	405,947	49,194
Public utilities	101,353	7,932	139,081	27,728	240,434	35,660
Subtotal	693,373	39,812	715,815	144,803	1,409,188	184,615
Municipal securities	135,945	6,766	58,281	12,904	194,226	19,670
Other	45,581	1,943	146,315	10,049	191,896	11,992
Redeemable preferred stocks	2,976	24	2,305	695	5,281	719
Total	$ 984,845	$ 53,260	$ 961,086	$ 172,779	$ 1,945,931	$ 226,039

[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, 2022.

	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	$ 96,610	$ 5,625	$ 4,428	$ 522	$ 101,038	$ 6,147
Federal agency issued residential mortgage-backed securities [1]	48,576	4,594	2,079	779	50,655	5,373
Subtotal	145,186	10,219	6,507	1,301	151,693	11,520
Corporate obligations:						
Industrial	223,458	28,273	46,186	13,495	269,644	41,768
Energy	49,781	3,056	—	—	49,781	3,056
Communications and technology	111,704	13,322	22,710	7,836	134,414	21,158
Financial	265,816	35,260	52,654	16,681	318,470	51,941
Consumer	346,834	39,723	67,996	22,749	414,830	62,472
Public utilities	206,984	29,528	34,933	13,732	241,917	43,260
Subtotal	1,204,577	149,162	224,479	74,493	1,429,056	223,655
Municipal securities	173,299	23,719	13,582	4,710	186,881	28,429
Other	157,759	10,426	41,520	4,106	199,279	14,532
Redeemable preferred stocks	5,226	774	—	—	5,226	774
Total	$1,686,047	$ 194,300	$ 286,088	$ 84,610	$ 1,972,135	$ 278,910

[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.

	March 31, 2023	December 31, 2022
Below cost for less than one year	650	1,120
Below cost for one year or more and less than three years	628	201
Below cost for three years or more	3	3
Total	1,281	1,324

We do not consider the unrealized losses related to these securities to be credit-related. The unrealized losses at both March 31, 2023 and December 31, 2022 primarily related to changes in interest rates and market spreads subsequent to purchase. A substantial portion of investment securities that have unrealized losses are either corporate debt issued with investment grade credit ratings or other investment securities. Included in other investment securities are commercial mortgage-backed securities and asset-backed securities.

The following table summarizes investments in fixed maturity securities available for sale with unrealized losses at March 31, 2023. Fair value has been adjusted to include an allowance for credit losses.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Unrealized losses of 10% or less	$ 1,256,224	$ 1,201,871	$ 54,353
Unrealized losses of 20% or less and greater than 10%	582,034	494,936	87,098
Subtotal	1,838,258	1,696,807	141,451
Unrealized losses greater than 20%:			
Investment grade	326,407	243,562	82,845
Below investment grade	7,845	5,562	1,743
Total securities owned without realized impairment	$ 2,172,510	$ 1,945,931	$ 226,039

The following table summarizes investments in fixed maturity securities available for sale with unrealized losses at December 31, 2022. We had no securities owned with realized impairment at December 31, 2022.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$ 1,129,645	$ 1,073,851	$ 55,794
Unrealized losses of 20% or less and greater than 10%	619,416	528,146	91,270
Subtotal	1,749,061	1,601,997	147,064
Unrealized losses greater than 20%:			
Investment grade	498,145	367,483	130,662
Below investment grade	3,839	2,655	1,184
Total securities owned without realized impairment	$ 2,251,045	$ 1,972,135	$ 278,910

The following table provides information on fixed maturity securities available for sale with unrealized losses by actual or equivalent Standard & Poor's rating at March 31, 2023. Fair value has been adjusted to include an allowance for credit losses.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	$ 160,950	8 %	$ 11,275	5 %
AA	423,776	22 %	40,602	18 %
A	653,876	34 %	87,114	39 %
BBB	684,672	35 %	83,904	37 %
Total investment grade	1,923,274	99 %	222,895	99 %
BB	16,554	1 %	1,675	1 %
B and below	6,103	— %	1,469	— %
Total below investment grade	22,657	1 %	3,144	1 %
	$ 1,945,931	100 %	$ 226,039	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, 2022.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	$ 169,198	9 %	$ 15,382	5 %
AA	433,563	22 %	52,351	19 %
A	634,047	32 %	106,442	38 %
BBB	717,389	36 %	101,877	37 %
Total investment grade	1,954,197	99 %	276,052	99 %
BB	13,386	1 %	1,257	— %
B and below	4,552	— %	1,601	1 %
Total below investment grade	17,938	1 %	2,858	1 %
	$ 1,972,135	100 %	$ 278,910	100 %

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

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

	March 31, 2023		
	Fair Value	Amortized Cost	Unrealized Losses
Structured securities:			
Investment grade	$ 218,598	$ 230,316	$ (11,718)
Below investment grade	—	—	—
Total structured securities	$ 218,598	$ 230,316	$ (11,718)

	December 31, 2022		
	Fair Value	Amortized Cost	Unrealized Losses
Structured securities:			
Investment grade	$ 205,027	$ 219,523	$ (14,496)
Below investment grade	—	—	—
Total structured securities	$ 205,027	$ 219,523	$ (14,496)

The following table provides a rollforward of the allowance for credit losses for fixed maturity securities.

	March 31, 2023
Beginning of year	$ —
Provision for adoption of ASU No. 2016-13	—
Addition for credit losses not previously recorded	540
End of period	$ 540

Investment Revenues

The following table provides net investment income classified by income associated with invested assets and income associated with deposit-type reinsurance.

	Quarter Ended March 31, 2023	Quarter Ended March 31, 2022
Invested assets	$ 34,035	$ 34,018
Deposit-type reinsurance [1]	4,323	—
Net investment income	$ 38,358	$ 34,018

[1] See Note 13 - Reinsurance.

Investment Gains (Losses)

The following table provides detail concerning investment gains and losses for the quarter ended March 31, 2023.

	Quarter Ended March 31, 2023
Gross gains resulting from:	
Sales of investment securities	$ 11
Investment securities called and other	260
Total gross gains	271
Gross losses resulting from:	
Mortgage loans	(13)
Total gross losses	(13)
Change in allowance for credit losses:	
Fixed maturity securities	(540)
Mortgage loans	(48)
Total change in allowance for credit losses	(588)
Change in fair value:	
Equity securities	(52)
Other investments	1,065
Total change in fair value	1,013
Net investment gains	$ 683

The following table provides detail concerning investment gains and losses for the quarter ended March 31, 2022.

	Quarter Ended March 31, 2022
Gross gains resulting from:	
Sales of investment securities	$ 124
Investment securities called and other	1,103
Total gross gains	1,227
Change in allowance for loan losses	(66)
Change in fair value:	
Equity securities	(34)
Other investments	(1,066)
Total change in fair value	(1,100)
Net realized investment gains, excluding other-than-temporary impairment losses	61
Net impairment losses recognized in earnings:	
Other-than-temporary impairment losses on fixed maturity securities	—
Portion of loss recognized in other comprehensive loss	(7)
Net other-than-temporary impairment losses recognized in earnings	(7)
Net investment gains	$ 54

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

	Quarter Ended March 31, 2023	Quarter Ended March 31, 2022
Proceeds	$ 2,007	$ 6,643

Mortgage Loans
Investments in mortgage loans totaled $582.0 million at March 31, 2023, compared to $591.9 million at December 31, 2022. 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 credit losses. We believe this allowance is at a level adequate to absorb estimated credit losses. This allowance was $1.7 million at March 31, 2023 and $2.8 million at December 31, 2022. The decrease in the allowance was due to factors considered under the adoption of ASU No. 2016-13. Our periodic evaluation and assessment of the adequacy of the allowance is based on known and inherent risks in the portfolio, historical and industry data, current economic conditions, and other relevant factors.

Commercial mortgage loans represented 18% of our total investments at March 31, 2023, down slightly from 19% at December 31, 2022. 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 45% at both March 31, 2023 and December 31, 2022. 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 $3.9 million during the quarter ended March 31, 2023. We refinanced three loans with a total outstanding balance of $8.6 million during the quarter ended March 31, 2022. For additional information, please see Note 5 - Financing Receivables.

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 17 - 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 2022 Annual Report. Please refer to our 2022 Annual Report for a full discussion of the fair value hierarchy and our policies regarding fair value measurements.

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

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 8,976	$ 94,257	$ —	$ 103,233
Federal agency issued residential mortgage-backed securities [1]	—	55,611	—	55,611
Subtotal	8,976	149,868	—	158,844
Corporate obligations:				
Industrial	—	305,738	—	305,738
Energy	—	76,895	—	76,895
Communications and technology	—	172,598	—	172,598
Financial	—	359,324	—	359,324
Consumer	—	443,728	—	443,728
Public utilities	—	289,050	—	289,050
Subtotal	—	1,647,333	—	1,647,333
Municipal securities	—	266,802	—	266,802
Other	—	218,598	—	218,598
Redeemable preferred stocks	—	5,281	—	5,281
Fixed maturity securities	8,976	2,287,882	—	2,296,858
Equity securities	438	1,188	240	1,866
Short-term investments	48,488	—	—	48,488
Other investments	—	5,452	415	5,867
Separate account assets	—	390,482	—	390,482
Total	$ 57,902	$ 2,685,004	$ 655	$ 2,743,561
Percent of total	2 %	98 %	— %	100 %
Liabilities:				
Policyholder account balances:				
Indexed universal life	$ —	$ —	$ 5,062	$ 5,062
Other policyholder funds:				
Guaranteed minimum withdrawal benefits	—	—	(2,369)	(2,369)
Separate account liabilities	—	390,482	—	390,482
Total	$ —	$ 390,482	$ 2,693	$ 393,175

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

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 8,837	$ 94,002	$ —	$ 102,839
Federal agency issued residential mortgage-backed securities [1]	—	56,493	—	56,493
Subtotal	8,837	150,495	—	159,332
Corporate obligations:				
Industrial	—	300,302	—	300,302
Energy	—	75,166	—	75,166
Communications and technology	—	159,716	—	159,716
Financial	—	349,655	—	349,655
Consumer	—	428,322	—	428,322
Public utilities	—	272,247	—	272,247
Subtotal	—	1,585,408	—	1,585,408
Municipal securities	—	249,826	—	249,826
Other	—	205,027	—	205,027
Redeemable preferred stocks	—	5,226	—	5,226
Fixed maturity securities	8,837	2,195,982	—	2,204,819
Equity securities	425	1,151	342	1,918
Short-term investments	58,497	—	—	58,497
Other investments	—	2,960	436	3,396
Separate account assets	—	381,581	—	381,581
Total	$ 67,759	$ 2,581,674	$ 778	$ 2,650,211
Percent of total	3 %	97 %	— %	100 %
Liabilities:				
Policyholder account balances:				
Indexed universal life	$ —	$ —	$ 2,802	$ 2,802
Other policyholder funds:				
Guaranteed minimum withdrawal benefits	—	—	(2,849)	(2,849)
Separate account liabilities	—	381,581	—	381,581
Total	$ —	$ 381,581	$ (47)	$ 381,534

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

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

	Quarter Ended March 31, 2023		
	Assets	Liabilities	
	Equity Securities and Other Investments	Indexed Universal Life	GMWB
Beginning balance	$ 778	$ 2,802	$ (2,849)
Included in earnings	(123)	2,260	387
Included in other comprehensive income (loss)	—	—	—
Purchases, issuances, sales and other dispositions:			
Purchases	—	—	—
Issuances	—	—	13
Sales	—	—	—
Other dispositions	—	—	80
Transfers out of Level 3	—	—	—
Ending balance	$ 655	$ 5,062	$ (2,369)

	Quarter Ended March 31, 2022	
	Indexed Universal Life	GMWB
Beginning balance	$ 6,264	$ (149)
Included in earnings	(1,523)	(1,750)
Included in other comprehensive income (loss)	—	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	143
Sales	—	—
Other dispositions	—	(93)
Transfers out of Level 3	—	—
Ending balance	$ 4,741	$ (1,849)

We did not have any transfers between any levels during the quarters ended March 31, 2023 or 2022.

We use the Black Scholes valuation method, including parameters for market volatility, risk-free rate, and index level, for the indexed universal life liabilities categorized as Level 3. We also use a 100% persistency assumption. Persistency of the business is an unobservable input.

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 our 2022 Annual Report for information regarding the valuation method for the GMWB liability and the unobservable inputs and ranges used in the valuation of those financial instruments. The valuation method, unobservable inputs, and ranges used had not materially changed at March 31, 2023.

The following tables present a summary of fair value estimates for financial instruments not recorded at fair value on a recurring basis but required to be disclosed at fair value. Assets and liabilities that are not financial instruments are not included in this disclosure. The total of the fair value calculations presented below may not be indicative of the value that can be obtained.

	March 31, 2023				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Mortgage loans	$ —	$ —	$ 533,536	$ 533,536	$ 582,047
Policy loans	—	—	82,908	82,908	82,908
Other investments	—	8,341	—	8,341	8,341
Liabilities:					
Individual and group annuities	—	—	1,107,445	1,107,445	1,124,203
Supplementary contracts and annuities without life contingencies	—	—	50,577	50,577	54,376
Policyholder account balances:					
Funding agreement	—	100,657	—	100,657	100,657

	December 31, 2022				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Mortgage loans	$ —	$ —	$ 538,275	$ 538,275	$ 591,928
Policy loans	—	—	82,739	82,739	82,739
Other investments	—	9,044	—	9,044	9,044
Liabilities:					
Individual and group annuities	—	—	1,125,759	1,125,759	1,142,528
Supplementary contracts and annuities without life contingencies	—	—	52,242	52,242	56,407
Policyholder account balances:					
Funding agreement	—	100,614	—	100,614	100,614

5. Financing Receivables

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

The following table identifies financing receivables by classification amount.

	March 31, 2023	December 31, 2022
Agent receivables, net (allowance for credit losses: 2023 - $171; 2022 - $198)	$ 1,693	$ 1,635
Investment-related financing receivables:		
Mortgage loans, net (allowance for credit losses: 2023 - $1,741; 2022 - $2,753)	582,047	591,928
Total financing receivables	$ 583,740	$ 593,563

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 credit losses. Agent receivables are included in Other Assets in the Consolidated Balance Sheets.

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

	March 31, 2023			December 31, 2022		
	Gross Receivables	Allowance for Credit Losses	Net Receivables	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Agent specific loans	$ 528	$ 146	$ 382	$ 543	$ 150	$ 393
Other agent receivables	1,336	25	1,311	1,290	48	1,242
Total	$ 1,864	$ 171	$ 1,693	$ 1,833	$ 198	$ 1,635

The following table details the activity within the allowance for credit losses on agent receivables at March 31, 2023 and the allowance for doubtful accounts on agent receivables at December 31, 2022. Any recoveries are included as deductions. Upon the adoption of ASU No. 2016-13 on January 1, 2023, we changed from an allowance for doubtful accounts to an allowance for credit losses. We determined that no adjustments needed to be made to our allowance upon adoption of this guidance.

	March 31, 2023	December 31, 2022
Beginning of year	$ 198	$ 912
Additions	—	261
Deductions	(27)	(975)
End of period	$ 171	$ 198

Mortgage Loans

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

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

	March 31, 2023	December 31, 2022
Mortgage loans collectively evaluated for impairment	$ 583,788	$ 560,612
Mortgage loans individually evaluated for impairment	—	34,069
Allowance for credit losses	(1,741)	(2,753)
Carrying value	$ 582,047	$ 591,928

There were no mortgage loans that were past due at March 31, 2023 or at December 31, 2022.

We had no troubled debt restructurings during the quarters ended March 31, 2023 or 2022.

Effective January 1, 2023, the Company adopted ASU No. 2016-13, which revises the credit loss recognition criteria for mortgage loans by replacing the existing incurred loss recognition model with the current expected credit loss model. The objective of the current expected credit loss model is for the reporting entity to recognize its estimate of current expected credit losses for affected financial assets in an allowance for credit losses that is deducted from the amortized cost basis of the related financial assets. This results in presenting the net carrying value of the financial assets at the amount expected to be collected.

The following table provides a rollforward of the allowance for credit losses for mortgage loans.

	March 31, 2023
Beginning of year	$ 2,753
Provision for adoption of ASU No. 2016-13	(1,060)
Additions for credit losses not previously recorded	48
End of period	$ 1,741

The following table details the activity within the allowance for mortgage loan losses. The provision reflected new loans and maturities, and the deductions reflected payments on loans and recoveries received.

	December 31, 2022
Beginning of year	$ 2,792
Provision	387
Deductions	(426)
End of period	$ 2,753

Please refer to our 2022 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 that are classified as VIEs. These VIEs are included in Real Estate in the Consolidated Balance Sheets. We also invest in certain private equity security interests. These VIEs are included in Other Investments in the Consolidated Balance Sheets. Please refer to our 2022 Annual Report for a full discussion of our VIEs.

We amortize the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognize the net investment performance in the Consolidated Statements of Comprehensive Income as a component of Income Tax Expense. The tax credits reduce tax expense while the amortization increases tax expense.

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

	Quarter Ended March 31,	
	2023	2022
Federal income tax credits realized	$ —	$ 101
Amortization	37	52

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

The following table presents the carrying amount and maximum exposure to loss relating to VIEs for which we hold a variable interest, but are not the primary beneficiary, and which had not been consolidated at March 31, 2023 and December 31, 2022. The table includes investments in one real estate joint venture, six affordable housing real estate joint ventures, and two private equity security interests at March 31, 2023. The table includes investments in one real estate joint venture, six affordable housing real estate joint ventures, and one private equity security interest at December 31, 2022.

	March 31, 2023		December 31, 2022	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate joint ventures	$ 1,692	$ 1,692	$ 1,680	$ 1,680
Affordable housing real estate joint ventures	1,754	8,758	1,791	8,794
Private equity security interests	7,418	34,090	6,309	32,009
Total	$ 10,864	$ 44,540	$ 9,780	$ 42,483

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

At March 31, 2023 and December 31, 2022, we had no equity commitments outstanding to the real estate joint venture VIEs. At March 31, 2023 and December 31, 2022, we had no contingent commitments to fund additional equity contributions for operating support to real estate joint venture VIEs. At March 31, 2023, we had unfunded commitments of $26.7 million for additional private equity security interest contributions. At December 31, 2022, we had unfunded commitments of $27.1 million for additional private equity security interest contributions.

In addition, the maximum exposure to loss on affordable housing joint ventures included $5.2 million of losses which could be realized if the tax credits received by the VIEs were recaptured at both March 31, 2023 and December 31, 2022. 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 $91.6 million at March 31, 2023. The fair value of the separate accounts with the GMWB rider was $92.8 million at December 31, 2022. The GMWB guarantee liability was $(2.4) million at March 31, 2023 and $(2.8) million December 31, 2022. 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 $390.5 million at March 31, 2023 and

$381.6 million at December 31, 2022, 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 March 31, 2023 and December 31, 2022.

In addition, we have an assumed closed block of variable universal life and variable annuity business that totaled $329.4 million at March 31, 2023 and $317.9 million at December 31, 2022. 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 $37.0 million at both March 31, 2023 and December 31, 2022 are included in our general account as policyholder account balances. The future policy benefits for the assumed block approximated $0.5 million at both March 31, 2023 and December 31, 2022.

8. Unpaid Claims Liability and Short-Duration Contracts

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

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

	Consolidated	
	Quarter Ended March 31,	
	2023	2022
Gross liability at beginning of the period	$ 30,536	$ 33,632
Less reinsurance recoverable	(22,574)	(24,607)
Net liability at beginning of the period	7,962	9,025
Incurred benefits related to:		
Current year	5,737	7,360
Prior years [1]	1,857	142
Total incurred benefits	7,594	7,502
Paid benefits related to:		
Current year	2,479	4,313
Prior years	4,873	3,722
Total paid benefits	7,352	8,035
Net liability at end of the period	8,204	8,492
Reinsurance recoverable	22,348	24,583
Gross liability at end of the period	$ 30,552	$ 33,075

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

	Group Insurance Segment	
	Quarter Ended March 31,	
	2023	2022
Gross liability at beginning of the period	$ 27,777	$ 30,670
Less reinsurance recoverable	(20,006)	(21,991)
Net liability at beginning of the period	7,771	8,679
Incurred benefits related to:		
Current year	5,725	7,347
Prior years [1]	1,856	159
Total incurred benefits	7,581	7,506
Paid benefits related to:		
Current year	2,479	4,313
Prior years	4,853	3,700
Total paid benefits	7,332	8,013
Net liability at end of the period	8,020	8,172
Reinsurance recoverable	20,348	22,001
Gross liability at end of the period	$ 28,368	$ 30,173

[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.

	March 31,	
	2023	2022
Individual Insurance Segment:		
Individual accident and health	$ 580	$ 636
Individual life	47,730	50,913
Deferred annuity	5,692	7,307
Subtotal	54,002	58,856
Group Insurance Segment:		
Group accident and health	28,368	30,173
Group life	2,969	3,847
Subtotal	31,337	34,020
Old American Segment:		
Individual accident and health	1,604	2,266
Individual life	10,478	12,174
Subtotal	12,082	14,440
Total	$ 97,421	$ 107,316

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 $0.7 million at March 31, 2023 and $0.6 million at December 31, 2022.

9. Debt

Notes Payable
We had no notes payable outstanding at March 31, 2023 or December 31, 2022.

We had unsecured revolving lines of credit with two major commercial banks that totaled $80.0 million at both March 31, 2023, and December 31, 2022, with no balances outstanding. The lines of credit are at variable interest rates based upon short-term indices, and mature in June of 2023. We anticipate renewing these lines of credit as they come due. One line of credit includes a $20.0 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 quarter of 2023 and had no outstanding borrowings as of March 31, 2023. The Company had no transactions that occurred under these agreements during the year ended December 31, 2022 and had no outstanding borrowings as of December 31, 2022. 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.

As a member of the Federal Home Loan Bank of Des Moines (FHLB), we have the ability to borrow on a collateralized basis from the FHLB. Through this membership, we will have a specific borrowing capacity based upon the amount of collateral we establish. At March 31, 2023, collateral comprised primarily of securities and mortgages in the amount of $292.4 million, with a fair value of $267.0 million, were pledged to the FHLB, providing a borrowing capacity of $212.0 million. At December 31, 2022, collateral comprised primarily of securities and mortgages in the amount of $295.6 million, with a fair value of $264.2 million, were pledged to the FHLB, providing a borrowing capacity of $209.7 million. The rates of interest are variable and set by the FHLB at the time of the advance. The Company's capital investment in the FHLB totaled $8.3 million at March 31, 2023 and $9.0 million at December 31, 2022 and is included in Other Investments in the Consolidated Balance Sheets. Dividends received on this capital investment totaled $0.1 million for the quarter ended March 31, 2023 and less than $0.1 million for the quarter ended March 31, 2022.

Funding Agreement
The Company has advance funding agreements with the FHLB. Under the agreements, the Company pledges fixed maturity security and commercial mortgage loan collateral and receives cash, which is then reinvested, primarily into other fixed maturity securities that have a variable interest rate. Securities pledged as collateral may not be sold or re-pledged by the Company. The investments pledged and outstanding advance agreements are included in the overall borrowing capacity established with the FHLB. We have established a maximum participation of $100.0 million with this program. Total obligations outstanding under these agreements, which mature between 2024 and 2027, were $100.0 million at both March 31, 2023 and December 31, 2022 and are reported as Policyholder Account Balances in the Consolidated Balance Sheets. Accrued interest on these obligations totaled $0.7 million at March 31, 2023 and $0.6 million at December 31, 2022. Interest is credited based on variable rates set by the FHLB and totaled $1.3 million during the quarter ended March 31, 2023 and less than $0.1 million during the quarter ended March 31, 2022. Cash interest payments were $1.2 million during the quarter ended March 31, 2023 and less than $0.1 million during the quarter ended March 31, 2022. Interest income on the variable rate fixed maturity securities totaled $1.6 million for the quarter ended March 31, 2023 and $0.3 million for the quarter ended March 31, 2022.

10. Income Taxes

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

	Quarter Ended March 31,	
	2023	2022
Federal income tax rate	21 %	21 %
Tax credits, net of equity adjustment	— %	1 %
Permanent differences and other	— %	(3)%
Effective income tax rate	21 %	19 %

The following table provides information about taxes paid.

	Quarter Ended March 31,	
	2023	2022
Cash paid for income taxes	$ 78	$ 85

We had no material uncertain tax positions at March 31, 2023 or December 31, 2022.

At March 31, 2023, we had a $0.1 million current tax liability and a $36.6 million net deferred tax asset, compared to a $1.0 million current tax liability and a $47.7 million net deferred tax asset at December 31, 2022.

11. Pensions and Other Postemployment Benefits (OPEB)

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

	Pension Benefits		OPEB	
	Quarter Ended March 31,		Quarter Ended March 31,	
	2023	2022	2023	2022
Service cost	$ —	$ —	$ 17	$ 31
Interest cost	1,134	735	155	124
Expected return on plan assets	(2,234)	(2,417)	—	—
Amortization of:				
Unrecognized actuarial net loss (gain)	748	516	(406)	(225)
Unrecognized prior service cost (credit)	16	(16)	—	—
Net periodic benefit credit	$ (336)	$ (1,182)	$ (234)	$ (70)

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 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 2022 Annual Report for additional information regarding this plan.

The Company did not make a cash payment under the long-term incentive plan during the first quarter of 2023 for the three-year interval ended December 31, 2022. The Company made a cash payment of $1.3 million under the long-term incentive plan during the first quarter of 2022 for the three-year interval ended December 31, 2021.

At each reporting period, an estimate of the share-based compensation expense is accrued, utilizing the share price at the period end. There was no change in the accrual in the first quarter of 2023. The cost of share-based compensation accrued as an operating expense in the first quarter of 2022 was $0.1 million, net of tax.

13. Reinsurance

As discussed in Note 1 - Nature of Operations and Significant Accounting Policies, the Company adopted ASU No. 2016-13 pertaining to the recognition and measurement of credit losses on reinsurance recoverables effective January 1, 2023. We determined that an allowance was not required at March 31, 2023, with the exception of reinsurance recoverables from Scottish Re US Inc. (Scottish Re).

On March 6, 2019, Scottish Re was ordered into receivership for the purposes of rehabilitation by the Court of Chancery of the State of Delaware. The proposed Plan of Rehabilitation of Scottish Re was filed on June 30, 2020. On March 16, 2021, the Receiver filed a draft Amended Plan of Rehabilitation and filed an outline of changes to the amended plan on July 27, 2021. The amended plan has not been approved by the Court nor do we know what deadlines the Court will impose. Through our credit loss analysis, which included historical loss information, historical credit rating data, and existing financial information, we recorded a $1.8 million allowance for credit losses for the reinsurance recoverable upon adoption of ASU No. 2016-13 on January 1, 2023. No additional credit allowance was recorded during the first quarter of 2023. We will continue to monitor the Plan of Rehabilitation and expected recovery of the claims balance.

The following table provides a rollforward of the allowance for credit losses for reinsurance recoverables.

	March 31, 2023
Beginning of year	$ —
Provision for adoption of ASU No. 2016-13	1,772
Additions for credit losses not previously recorded	—
End of period	$ 1,772

In the second quarter of 2022, the Company reinsured a block of fixed annuity business with an average crediting rate of 3.75% to a certified domestic reinsurer. This reinsurance arrangement was effective April 1, 2022. The contract reinsured $516.2 million in policyholder account balance liabilities in exchange for fixed maturity securities and cash, less deferred revenue. We immediately recognized $11.6 million of certain non-refundable premiums associated with the transaction in investment income. The remaining deferred revenue will be amortized in future periods. The net consideration transferred to the reinsurer was $493.9 million. This resulted in recognizing a deposit asset on reinsurance of $516.2 million at April 1, 2022. Fixed maturity securities were transferred at market value as of the closing date of the transaction, resulting in a pre-tax net realized investment loss of $12.3 million. We will continue to administer this business on an ongoing basis, and we will receive an ongoing expense allowance associated with these efforts. The remaining deferred revenue liability is included in Other Liabilities in the Consolidated Balances Sheets and will be amortized over future periods consistent with the amortization of the Deposit Asset on Reinsurance. The Company determined that the reinsurance agreement does not expose the reinsurer to a significant loss from insurance risk. Therefore, the Company has recognized the reinsurance agreement using the deposit-type method of accounting. The reserve credit transferred to the reinsurer is reported as Deposit Asset on Reinsurance in the Consolidated Balance Sheets. As amounts are received or paid, consistent with the underlying reinsured contracts, the Deposit Asset on Reinsurance is adjusted. The Deposit Asset on Reinsurance is also accreted to the estimated ultimate cash flows using the interest method and the adjustment is reported as Net Investment Income in the Consolidated Statements of Comprehensive Income. In the first quarter of 2023, the investment income recognized was $4.3 million and the interest credited on the block was $4.3 million. The Deposit Asset on Reinsurance balance was $466.2 million at March 31, 2023 and $484.4 million at December 31, 2022.

14. Comprehensive Income (Loss)

Comprehensive Income (Loss) is comprised of Net Loss 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 March 31, 2023		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized gains arising during the period:			
Fixed maturity securities	$ 57,913	$ 12,161	$ 45,752
Reclassification adjustments:			
Net realized investment gains, excluding credit losses	(271)	(57)	(214)
Change in allowance for credit losses for fixed maturity securities	540	114	426
Net unrealized gains excluding credit losses	58,182	12,218	45,964
Effect on DAC, VOBA, and DRL	(5,261)	(1,105)	(4,156)
Other comprehensive income	$ 52,921	$ 11,113	$ 41,808
Net loss			(3,241)
Comprehensive income			$ 38,567

	Quarter Ended March 31, 2022		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized losses arising during the period:			
Fixed maturity securities	$ (208,282)	$ (43,739)	$ (164,543)
Reclassification adjustments:			
Net realized investment gains, excluding impairment losses	(1,226)	(258)	(968)
Other-than-temporary impairment losses recognized in earnings	—	—	—
Other-than-temporary impairment losses recognized in other comprehensive loss	7	2	5
Net unrealized losses excluding impairment losses	(209,501)	(43,995)	(165,506)
Effect on DAC, VOBA, and DRL	17,277	3,628	13,649
Change in policyholder liabilities	26,354	5,534	20,820
Other comprehensive loss	$ (165,870)	$ (34,833)	$ (131,037)
Net loss			(7,676)
Comprehensive loss			$ (138,713)

The following table provides accumulated balances related to each component of Accumulated Other Comprehensive Income (Loss) at March 31, 2023, net of tax.

	Unrealized Gain (Loss) on Securities	Benefit Plan Obligations	DAC/ VOBA/DRL Impact	Policyholder Liabilities	Total
Beginning of year	$ (213,794)	$ (46,552)	$ 18,756	$ —	$ (241,590)
Other comprehensive income (loss) before reclassification	45,752	—	(4,156)	—	41,596
Amounts reclassified from accumulated other comprehensive income (loss)	212	—	—	—	212
Net current-period other comprehensive income (loss)	45,964	—	(4,156)	—	41,808
End of period	$ (167,830)	$ (46,552)	$ 14,600	$ —	$ (199,782)

The following table provides accumulated balances related to each component of Accumulated Other Comprehensive Income (Loss) at December 31, 2022, net of tax.

	Unrealized Gain (Loss) on Non-Impaired Securities	Unrealized Gain (Loss) on Impaired Securities	Benefit Plan Obligations	DAC/ VOBA/DRL Impact	Policyholder Liabilities	Total
Beginning of year	$ 151,660	$ 1,062	$ (39,128)	$ (12,578)	$ (26,765)	$ 74,251
Other comprehensive income (loss) before reclassification	(373,794)	(1,089)	(7,424)	31,334	26,765	(324,208)
Amounts reclassified from accumulated other comprehensive income (loss)	8,340	27	—	—	—	8,367
Net current-period other comprehensive income (loss)	(365,454)	(1,062)	(7,424)	31,334	26,765	(315,841)
End of period	$ (213,794)	$ —	$ (46,552)	$ 18,756	$ —	$ (241,590)

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 for the quarter ended March 31, 2023.

	Quarter Ended March 31, 2023
Reclassification adjustments related to unrealized gains (losses) on investment securities:	
Net realized investment gains, excluding credit losses [1]	$ 271
Income tax expense [2]	(57)
Net of taxes	214
Change in allowance for credit losses for fixed maturity securities [1]	(540)
Income tax benefit [2]	114
Net of taxes	(426)
Total pre-tax reclassifications	(269)
Total income tax benefit	57
Total reclassification, net of taxes	$ (212)

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 for the quarter ended March 31, 2022.

	Quarter Ended March 31, 2022
Reclassification adjustments related to unrealized gains (losses) on investment securities:	
Net realized investment gains, excluding impairment losses[1]	$ 1,226
Income tax expense [2]	(258)
Net of taxes	968
Other-than-temporary impairment losses[1]	(7)
Income tax benefit [2]	2
Net of taxes	(5)
Total pre-tax reclassifications	1,219
Total income tax expense	(256)
Total reclassification, net of taxes	$ 963

[1] (Increases) decreases Net Investment Gains (Losses) in the Consolidated Statements of Comprehensive Income.

[2] (Increases) decreases Income Tax Expense (Benefit) in the Consolidated Statements of Comprehensive Income.

15. Earnings Per Share

Due to our capital structure and the absence of other potentially dilutive securities, there is no difference between basic and diluted earnings per common share for any of the periods reported. The average number of shares outstanding for both the first quarters ended March 31, 2023 and 2022 was 9,683,414. The number of shares outstanding at both March 31, 2023 and December 31, 2022 was 9,683,414.

16. Segment Information

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

	Quarter Ended March 31, 2023			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 46,588	$ 16,715	$ 22,273	$ 85,576
Interest credited to policyholder account balances	17,342	—	—	17,342
Amortization of deferred acquisition costs	3,988	—	5,193	9,181
Income tax expense (benefit)	(570)	1	(301)	(870)
Net loss	(2,107)	(4)	(1,130)	(3,241)

	Quarter Ended March 31, 2022			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 43,565	$ 15,944	$ 23,674	$ 83,183
Interest credited to policyholder account balances	19,340	—	—	19,340
Amortization of deferred acquisition costs	4,349	—	5,285	9,634
Income tax benefit	(483)	(250)	(1,025)	(1,758)
Net loss	(2,877)	(953)	(3,846)	(7,676)

17. Commitments, Contingent Liabilities, Guarantees, and Indemnifications

Commitments

In the normal course of business, we have open purchase and sale commitments. At March 31, 2023, we had purchase commitments to fund mortgage loans of $6.1 million and commitments to fund investments in private equity security interests of $26.7 million.

Contingent Liabilities

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. The Company has established an allowance for credit losses related to the reinsurance receivables related to its agreements with Scottish Re under ASU No. 2016-13 adopted by the Company on January 1, 2023. The Company will continue to closely monitor developments related to the rehabilitation proceeding as it evaluates the allowance for credit losses related to reinsurance receivables in future financial periods. For additional information, please see Note 13 - Reinsurance.

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 probable 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 March 31, 2023. 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 the defendant in five related litigation matters (including three certified class actions and two putative class actions) that allege that we determined cost of insurance rates in excess of amounts permitted by the terms of certain life insurance policies.

- Karr v. Kansas City Life is a class action filed in the 16th Circuit Court for the State of Missouri (Jackson County). In July 2021, the Court certified a class that includes current Missouri residents who purchased certain universal life policies (described below) in the State of Missouri that were active on or after January 1, 2002. In February of 2022, the Court granted partial Summary Judgment to plaintiffs on three of the five counts at issue in the class action. In December of 2022, a jury trial based solely on determining damages under the Court's summary judgment ruling was held in Jackson County, Missouri. The jury in that trial rendered a verdict of $28.4 million in favor of the plaintiffs related to the first three counts. As of this date, the Court has not entered a judgment on the verdict nor has it issued a final verdict in the case. We have opposed entry of judgment and plan to challenge any judgment that may be entered by the Court both with the trial court and, if necessary, through the appellate process. While the verdict is not final, and while we will continue to challenge any judgment, the Company has established a contingent liability reserve related to the jury's verdict in the amount of $28.4 million related to this matter.

- Meek v. Kansas City Life is a class action filed in the U.S. District Court for the Western District of Missouri. In February of 2022, the Court certified a class on the first four claims of Plaintiff's petition that includes current and former policyholders who purchased certain universal life policies (described below) that were issued in the State of Kansas and whose policies were active on or after January 1, 2002. On March 27, 2023, the Court issued a ruling on summary judgment related to claims by both plaintiff and defendant. The Court ruled in the favor of plaintiff on the first three counts, which relate to permitted COI factors and mortality improvement, but only as to liability. The Court ruled in favor of defendant on the fourth count, which relates to conversion. The Court also ruled that the Kansas law governing statute of limitations and equitable estoppel related thereto will apply in this matter. The Court made no determination related to damages at this time. The Company will continue to vigorously defend this matter. The Meek and Karr matters include different defenses, facts, and matters of law. At this time, we have not concluded that a loss is probable in this matter and have not accrued any liability related thereto. However, there can be no assurances as to the outcome of this matter. In the event of an unfavorable outcome, the amount that may be required to be paid to discharge or settle the matter could have a material adverse impact on our business and financial statements.

- Sheldon v. Kansas City Life is a class action filed in the 16th Circuit Court for the State of Missouri (Jackson County). In May of 2022, the Court certified a class that includes policyholders who purchased certain Century II Variable Universal Life policies that were issued in the State of Missouri and whose policies were active on or after January 1, 2002. The Court's decision means that the class of policyholders certified in the Sheldon v. Kansas City Life lawsuit meets the requirements of Federal Rule of Civil Procedure 23(b)(3), which governs class actions in federal courts. While the ruling establishes a class at this stage of the litigation and permits the future issuance of a notice to class members, the Court has not decided who will win this case. The Sheldon and Karr matters include different defenses and matters of law. We have not concluded that a loss is probable in this matter and have not accrued any liability related thereto. However, there can be no assurances as to the outcome of this matter. In the event of an unfavorable outcome, the amount that may be required to be paid to discharge or settle the matter could have a material adverse impact on our business and financial statements.

- Fine v. Kansas City Life is a putative class action filed in the U.S. District Court for the Central District of California. The proposed class would include current and former policyholders who purchased certain universal life and certain variable universal life policies issued in the State of California. This case was filed on March 29, 2022, and is in its preliminary stages. The Court has not certified a class of policyholders or identified the policies at issue in this matter. The Fine and Karr matters include different defenses and matters of law. We have not concluded that a loss is probable in this matter and have not accrued any liability related thereto. However, there can be no assurances as to the outcome of this matter. In the event of an unfavorable outcome, the amount that may be required to be paid to discharge or settle the matter could have a material adverse impact on our business and financial statements.

- McMillan v. Kansas City Life is a putative class action filed in the U.S. District Court for the District of Maryland. The proposed class would include current and former policyholders who purchased certain universal life and certain variable universal life policies originally issued in the State of Maryland. This case was filed on May 5, 2022, and is in its preliminary stages. The Court has not certified a class of policyholders or identified the policies at issue in this matter. The McMillan and Karr matters include different defenses and matters of law. We have not concluded that a loss is probable in this matter and have not accrued any liability related thereto. However, there can be no assurances as to the outcome of this matter. In the event of an unfavorable outcome, the amount that may be required to be paid to discharge or settle the matter could have a material adverse impact on our business and financial statements.

The classes certified in Karr v. Kansas City Life and Meek v. Kansas City Life include policyholders who purchased one of the following Universal Life policies issued by Kansas City Life: Better Life Plan, Better Life Plan Qualified, LifeTrack, AGP, MGP, PGP, Chapter One, Classic, Rightrack (89), Performer (88), Performer (91), Prime Performer, Competitor (88), Competitor (91), Executive (88), Executive (91), Protector 50, LewerMax, Ultra 20 (93), Competitor II, Executive II, Performer II, or Ultra 20 (96).

Regulatory Matters
We are subject to regular reviews and inspections by state and federal regulatory authorities. State insurance examiners - or independent audit firms engaged by such examiners - may, from time to time, conduct examinations or investigations into industry practices and customer complaints. A regulatory violation discovered during a review, inspection, or investigation could result in a wide range of remedies that could include the imposition of sanctions against us or our employees, which could have a material adverse effect on our financial statements.

The life insurance industry has been the subject of significant regulatory and legal activities regarding the use of the U.S. Social Security Administration's Death Master File ("Death Master File") in the claims process. Certain states have proposed, and many other states are considering, new legislation and regulations related to unclaimed life insurance benefits and the use of the Death Master File in the claims process. Based on our analysis to date, we believe that we have adequately reserved for contingencies from a change in statute or regulation. Ongoing regulatory developments and other future requirements related to this matter may result in additional payments or costs that could be significant and could have a material adverse effect on our financial statements.

Guarantees and Indemnifications
We are subject to various indemnification obligations issued in conjunction with certain transactions, primarily assumption reinsurance agreements, stock purchase agreements, mortgage servicing agreements, tax credit assignment agreements, construction and lease guarantees, and borrowing agreements whose terms range in duration and often are not explicitly defined. Generally, a maximum obligation is not explicitly stated. Therefore, the overall maximum amount of the obligation under the indemnifications cannot be reasonably estimated. We are unable to estimate with certainty the ultimate legal and financial liability with respect to these indemnifications. We believe that the likelihood is remote that material payments would be required under such indemnifications and, therefore, such indemnifications would not result in a material adverse effect on our financial position or financial statements.

18. Subsequent Events

We evaluated events that occurred subsequent to March 31, 2023 through April 28, 2023, the date the consolidated financial statements were issued, and have identified the following subsequent event.

On April 24, 2023, the Kansas City Life Board of Directors declared a quarterly dividend of $0.14 per share, payable on May 10, 2023 to stockholders of record on May 4, 2023.

There have been no other subsequent events that occurred during such period that require disclosure in, or adjustment to, the consolidated financial statements as of and for the quarter ended March 31, 2023.