

KANSAS CITY LIFE INSURANCE COMPANY

A Missouri Corporation

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

SIC Code: 6311

ANNUAL REPORT

For the Period Ending December 31, 2024
(the “Reporting Period”)

The number of shares outstanding of our Common Stock is 9,683,414 as of December 31, 2024 (the end of reporting period)

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

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

Yes: ☐ No: ☒

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

Yes: ☐ No: ☒

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

Yes: ☐ No: ☒

KANSAS CITY LIFE INSURANCE COMPANY
TABLE OF CONTENTS

<u>Part A – General Company Information</u>	<u>3</u>
<u>Part B – Share Structure</u>	<u>4</u>
<u>Part C – Business Information</u>	<u>5</u>
<u>Part D – Management Structure and Financial Information</u>	<u>11</u>
<u>Part E – Issuance History</u>	<u>19</u>
<u>Part F – Exhibits</u>	<u>19</u>

Part A - General Company Information

Item 1. The Exact Name of The Issuer

Kansas City Life Insurance Company

Item 2. The Address of The Issuer's Principal Executive Offices and The Address of the Issuer's Principal Place of Business

Principal Executive Offices: Kansas City Life Insurance Company
3520 Broadway
Post Office Box 219139
Kansas City, Missouri 64121-9139
Telephone: (816) 753-7000
Fax: (816) 753-4902
Internet: www.kclife.com

Check box if principal executive office and principal place of business are the same address: ☒

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. 8308
E-mail: communications@kclife.com

Item 3. The Jurisdiction and Date of the Issuer's Incorporation

Kansas City Life Insurance Company was incorporated in the State of Missouri on May 1, 1895.

Part B - Share Structure

Item 4. The Exact Title and Class of Securities Outstanding

Class: Common Stock
CUSIP: 484836200
Trading Symbol: KCLI

Item 5. Par or Stated Value and Description of the Security

A. Par or Stated Value

The Company's outstanding securities consist solely of common stock, par value \$1.25 per share.

B. Common Stock or Preferred Stock

Common Stock

Stockholders of the Company are entitled to dividends if declared by the Board of Directors. The maximum amount of dividends that can be paid by insurance companies domiciled in the State of Missouri to stockholders without prior approval of the Insurance Commissioner in any consecutive twelve-month period is the greater of the statutory gain from operations for the preceding year or 10% of statutory stockholders' equity at the end of the preceding year and stockholder dividends may only be paid from unassigned surplus.

Each share of our common stock entitles the holder thereof to one vote on all matters submitted to a vote of the shareholders, except the election of directors. At all elections of directors, each shareholder is entitled to as many votes as shall equal the number of shares held by such shareholder multiplied by the number of directors to be elected, and such shareholder may cast all such votes for a single director or may distribute them among the number of directors to be voted for as such shareholder may see fit.

Our common stock is not subject to redemption or future calls or assessment by Kansas City Life. Holders of common stock do not have preemptive rights, or rights to convert their common stock into other securities.

In the event of a liquidation, dissolution or winding up of the affairs of Kansas City Life, holders of our common stock have the right to a ratable portion of the assets remaining after the payment of all liabilities. All outstanding shares of our common stock are fully paid and nonassessable.

The provisions of Kansas City Life's articles of incorporation and bylaws that are summarized below may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider to be in such shareholder's best interests, including those attempts that might result in a premium over the market price for the shares held by shareholders:

1. Classification of Board of Directors. Our board of directors is divided into three classes, and our directors are elected by classes to three-year terms. While this provision promotes stability and continuity of the board of directors, classification of the board of directors may also have the effect of decreasing the number of directors that could otherwise be elected at each annual meeting of shareholders.
2. Business Combinations. Kansas City Life's articles of incorporation contain a "fair price" provision which generally requires that certain "business combinations" with a "related person" (generally the beneficial owner of at least 5 percent of Kansas City Life's voting stock) be approved by the holders of at least 66 2/3 percent of Kansas City Life's voting stock, with the 66 2/3 percent vote requirement being calculated by excluding from the voted shares and the number of shares of voting stock outstanding, the voting stock held by such related person, except in specified circumstances.

3. Amendment of Articles. The amendment of the articles of incorporation of Kansas City Life requires the affirmative vote of the holders of more than 66 2/3 percent of the shares of capital stock of Kansas City Life voting on such question but in no event may the articles be amended by a vote of less than a majority of all of the shares of capital stock of Kansas City Life entitled to vote on said question.

Preferred Stock

The Company had no preferred stock authorized or outstanding at December 31, 2024.

Item 6. The Number of Shares or Total Amount of the Securities Outstanding for Each Class of Securities Authorized

Common Stock

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Number of Shares Authorized	36,000,000	36,000,000
Number of Shares Outstanding	9,683,414	9,683,414
Freely Tradable Shares (Public Float)	2,573,086	2,569,666
Total Number of Shareholders of Record	115	117

The Company has more than 100 beneficial shareholders of record owning at least 100 shares.

Item 7. The Name and Address of the Transfer Agent

Kansas City Life Insurance Company is registered as a transfer agent under the Exchange Act and acts as its own transfer agent.

Heather S. Welch, Stock Agent and Assistant Secretary
Kansas City Life Insurance Company
3520 Broadway
Kansas City, MO 64111
816-753-7000 ext. 8236
heather.welch@kclife.com

Part C - Business Information

Item 8. The Nature of the Issuer's Business

A. Business Development

1. **The form of organization of the issuer.**

We are a Missouri corporation.

2. **The year that the issuer (or any predecessor) was organized.**

We were organized in 1895.

3. **The issuer's fiscal year end date.**

Our fiscal year end date is December 31.

4. Whether the issuer (or any predecessor) has been in bankruptcy, receivership or any similar proceeding.

We have not been in any bankruptcy, receivership, or any similar proceeding.

5. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets.

We have not had any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets.

6. Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments.

We have not had any default of the terms of any note, loan, lease, or indebtedness or financing arrangement.

7. Any change of control.

We have not had a change in control.

8. Any increase of 10% or more of the same class of outstanding equity securities.

There has been no increase in any class of outstanding equity securities.

9. Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.

None.

10. Any delisting of the issuer's securities by any securities exchange or deletion from the OTC Bulletin Board.

We have not delisted from any securities exchange or been deleted from the OTC Bulletin Board.

11. Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.

Please see the section entitled "Contingent Liabilities" in Note 20 of our audited financial statements.

B. Business of Issuer

1. The issuer's primary and secondary SIC Codes.

Our primary SIC Code is 6311.

2. If the issuer has never conducted operations, is in the development stage, or is currently conducting operations.

We are currently conducting operations.

3. Whether the issuer has at any time been a "shell company."

We are not, and never have been, a shell company.

4. The names of any parent, subsidiary, or affiliate of the issuer, and its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this disclosure statement.

Kansas City Life Insurance Company has two wholly-owned insurance subsidiaries, Old American Insurance Company ("Old American") and Grange Life Insurance Company ("Grange Life"), and one wholly-owned registered broker-dealer subsidiary, Sunset Financial Services ("SFS"). We also have non-insurance subsidiaries that individually and collectively are not material. These entities are included in the financial statements attached to this disclosure statement.

Old American is a Missouri life insurance company offering life insurance products in the final expense market. It distributes its products through an independent general agent distribution system. Grange Life is an Ohio life insurance company managing a closed block of life insurance and annuity business. SFS is a Washington corporation, responsible for the distribution and marketing of Kansas City Life's proprietary variable life and variable annuity products through third-party broker-dealers.

5. The effect of existing or probable governmental regulations on the business.

We are subject to state regulations in Missouri, our state of domicile, and in the states in which we do business. Although the federal government generally does not regulate the business of insurance, federal initiatives such as the taxation of insurance companies and the tax treatment of insurance products along with activities of the Federal Insurance Office ("FIO") can have an impact on the business in a variety of ways. SFS is a registered broker-dealer, which is regulated by the Financial Industry Regulatory Authority ("FINRA") and the Securities and Exchange Commission ("SEC").

State Regulation

Our life insurance entities are subject to periodic examinations by state regulatory authorities, and our financial statements are prepared and examined on the basis of statutory accounting principles. The most recently completed examination performed by the State of Missouri occurred as of December 31, 2019 for Kansas City Life and Old American. Grange Life's most recent examination performed by the state of Ohio (it's state of domicile) occurred as of December 31, 2019. No adjustments to any of the insurance companies resulted from that examination. Periodic examinations by the Missouri Department of Insurance and by the Ohio Department of Insurance based upon the year ended December 31, 2023, are currently ongoing.

The National Association of Insurance Commissioners ("NAIC") has received regulatory authority from the respective state departments of insurance to establish more consistency for insurers with regard to financial reporting requirements. NAIC has adopted risk-based capital guidelines to assist in the identification of deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. At December 31, 2024 and 2023, the statutory capital and surplus of each of our insurance entities was substantially above the required levels.

Federal Regulation

The federal government generally does not directly regulate the business of insurance. An exception is the Federal Reserve's ability to regulate certain life insurance companies affiliated with savings bank organizations and those life insurers deemed to be systematically important financial institutions. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act may enhance and expand the federal government's role in insurance company regulation, including the formation and activities of the Federal Insurance Office.

Importantly, however, the federal government does regulate the environment in which insurance products are sold. For example, pension regulations and other qualified retirement plan regulations such as 401(k) plans, impact the sale of our insurance products sold into those accounts. Health care laws passed at the federal level can also impact the group sales division based on the products we sell. The internal revenue code, both in its role of taxing life insurance companies under the life insurance company provisions of the Internal Revenue Code of 1986, as amended (the Code), and in the taxation of insurance and investment products held by our consumers, are also important factors in our success.

6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities are borne directly by customers.

We have not spent any material amounts during the last two fiscal years on research and development activities.

7. Costs and effects of compliance with environmental laws (federal, state and local).

Based on our environmental assessments, we believe that any compliance costs associated with environmental laws and regulations, or any remediation of affected properties are not material, and that any future compliance costs would not have a material adverse effect on our business, financial position, results of operations, or cash flows.

8. The number of total employees and number of full time employees.

At December 31, 2024, the Company had 441 employees, 424 of which were full time.

Item 9. The Nature of Products or Services Offered

A. Principal products or services, and their markets.

We offer individual life, annuity and group products and variable life, variable annuities and other investment options.

We offer interest sensitive products that include an array of universal life, variable universal life, fixed deferred annuities, and variable annuities. Universal life products have the ability to deliver flexibility in coverage and competitive long-term cash values or premiums that guarantee coverage for a desired period or through the insured's lifetime. Variable universal life products combine the advantages of a range of investment options with life insurance.

We offer multiple fixed deferred annuity products. We also offer variable annuity products which allow the policyholder options that include either single or flexible premium contracts combined with the advantages of a range of investment options and the advantages of an annuity.

We offer traditional immediate annuity products with a broad variety of payout options, including guaranteed specified amounts and life contingencies. A variety of immediate annuity options are offered, in association with policy and contract holder benefit options, as well as new product sales.

We offer traditional whole life products, including products geared towards juveniles that offer additional coverage as the child ages, and term life insurance products for a wide range of ages and coverage.

Selected riders are also available for added coverage and protection in both the individual life insurance products and annuity products.

We offer multiple group insurance products primarily to small and medium size employers, consisting of group life, long-term and short-term disability, dental, and vision products both on an employer-paid basis and voluntary employee-paid basis. These group products are underwritten and designed to meet the needs of employers and employees based on factors such as employer contribution toward cost of coverage, number of employees, benefits desired versus product cost, and plan design features. Group life insurance plans include flexible plan designs, such as accidental death and dismemberment coverage, waiver of premium coverage, and policy conversion and portability privileges. Disability plans are designed based on factors including benefit period and maximum benefits. Dental plans are designed based on factors including coinsurance percentages and plan maximums.

We have closed blocks of business that are primarily from three sources. First, we have sizeable blocks of business obtained through the acquisition of certain companies. Second, we have entered into reinsurance assumption transactions. The third source results from when we determine that we no longer intend to actively market selected products or to remain active in certain markets. These closed blocks of business decline in premiums, deposits, and insurance in force over time.

B. Distribution methods of the products or services.

Individual life insurance and annuity products offered by Kansas City Life are marketed through a nationwide sales force of independent general agents, agents, and third-party marketing arrangements. This sales force includes former Grange Life agents who market life insurance products primarily to property and casualty customers of Grange Life's former parent company, Grange Insurance Company. All of these general agents and agents are contracted individually and are not exclusive with us. We do not restrict general agents or agents to designated sales territories. In addition, we have identified selected occasions to use additional third-party arrangements for product specific or market niche sales opportunities.

Old American products are marketed through a nationwide general agency sales force with exclusive territories, using direct response marketing to supply agents with leads. We manage the territories based upon production and directly support and subsidize general agent managers and agents with marketing leads and allowances based upon sales results.

We use two approaches to market our group products. The first is to market business using our internal sales representatives and an independent general agent and agent field force. This business is administered internally. The second is through selectively identified independent third-party arrangements. Generally, business sold through these arrangements is administered by the third parties or through specifically-identified reinsurance arrangements.

C. Status of any publicly announced new product or service.

We have not publicly announced any new product or service.

D. Competitive business conditions, the issuer's competitive position in the industry, and methods of competition.

We operate in the life insurance sector of the financial services industry in the United States, which is highly competitive with respect to products, pricing, selection of products, and quality of service. Many of our competitors are considerably larger and may have substantially greater financial resources, higher ratings from rating agencies, broader and more diversified product lines, and more agency relationships.

Our insurance products compete with a wide variety of other products, including products from other insurance companies, financial intermediaries, and other institutions. In addition, competition arises from a number of features, including crediting rates, policy terms and conditions, service provided to distribution channels and policyholders, ratings reputation, and agent compensation. Insurance products also compete with products offered from mutual funds; traditional bank investments; and other investment and retirement funding alternatives offered by asset managers, banks, and broker-dealers.

E. Sources and availability of raw materials and the names of principal suppliers.

We do not use raw materials.

F. Dependence on one or a few major customers.

We do not have dependence on one or a few major customers.

G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration.

The Company maintains trademarks related to our corporate names, logos and products. We do not have any patents, licenses, franchises, concessions, royalty agreements, or labor contracts.

H. The need for any government approval of principal products or services and the status of any requested government approvals.

Insurance products are required to be reviewed and approved by insurance regulators in the various states in which we conduct business. Variations on certain products may occur on a state-by-state basis based on the laws or regulations of a given state. Some products may not be available in all states in which we conduct business. We must also file certain marketing materials, including illustrations showing our product performance. We do seek to add new products and/or product riders to our product portfolio, but the Company is not currently awaiting any approval that materially impacts our ability to conduct business.

Item 10. The Nature and Extent of the Issuer's Facilities

Our home office is located at 3520 Broadway in Kansas City, Missouri. We own and wholly occupy two five-story buildings consisting of approximately 236,000 square feet on an eight-acre site. We also lease space in Columbus, Ohio, located on the 9th floor of a multi-story office building at 671 S. High Street. The Columbus office houses a significant portion of the Grange Life Insurance Company operations and sales teams. We believe that our present facilities are adequate and suitable for our current purposes.

Part D - Management Structure and Financial Information

Item 11. The Name of the Chief Executive Officer, Members of the Board of Directors, as well as Control Persons

A. Officers and Directors

R. Philip Bixby (Age 71) Member of the: <ul style="list-style-type: none"> Executive Committee (Chairman) Nominating Committee (Chairman) 	<u>Chairman of the Board</u> <u>Business Experience:</u> Mr. Bixby is Chairman of the Board. He was elected Assistant Secretary in 1979; Assistant Vice President in 1982; Vice President in 1984; Senior Vice President, Operations in 1990; Executive Vice President in 1996; President and CEO in April 1998; Vice Chairman of the Board in January 2000 and Chairman of the Board in 2005. <u>Other Current Board Positions:</u> Chairman of Old American Insurance Company, Chairman of Grange Life Insurance Company and Chairman of Sunset Financial Services, Inc. (all subsidiaries).
Kevin G. Barth (Age 64) Member of the: <ul style="list-style-type: none"> Compensation Committee 	<u>Director</u> <u>Business Experience:</u> Mr. Barth is Chairman and Chief Executive Officer of Commerce Bank, Kansas City. Mr. Barth has served as President, COO and Senior Lender for Commerce Bank, Kansas City, since April 2000. He is a member of the Executive Committee and is Executive Vice President of Commerce Bancshares, NA. <u>Other Current Board Positions:</u> Greater Kansas City Chamber of Commerce and Children's Mercy Hospital.
Walter E. Bixby (Age 66) Member of the: <ul style="list-style-type: none"> Executive Committee Nominating Committee 	<u>President, CEO and Vice Chairman of the Board</u> <u>Business Experience:</u> Mr. Bixby is President, CEO and Vice Chairman of the Board. He was elected Assistant Vice President of the Company in 1985; Vice President, Marketing in 1990; Vice President, Marketing Operations in 1992; Executive Vice President in 2012; President and CEO in 2022; President of Old American Insurance Company in 1996 and President and CEO of Grange Life Insurance Company in 2022. <u>Other Current Board Positions:</u> Old American Insurance Company, Grange Life Insurance Company and Sunset Financial Services, Inc. (all subsidiaries).
William R. Blessing (Age 69) Member of the: <ul style="list-style-type: none"> Compensation Committee Executive Committee 	<u>Director</u> <u>Business Experience:</u> Mr. Blessing retired as Senior Vice President, Corporate Strategy and Development, Embarq. He had held similar duties with Sprint and related entities in various capacities from 1981 to 2006. Mr. Blessing is a National Association of Corporate Directors (NACD) Board Leadership Fellow and serves on several nonprofit boards of directors.
Michael Braude (Age 88) Member of the: <ul style="list-style-type: none"> Compensation Committee (Chairman) Nominating Committee 	<u>Director</u> <u>Business Experience:</u> From 1984 to 2000, he was President and CEO of the Kansas City Board of Trade. He is a past chairman of the National Grain Trade Council. He is a former Trustee of the Kansas Public Employees Retirement Fund, and a Trustee of Midwest Research Institute. He is a former weekly, and now contributing columnist for the Kansas City Business Journal. Mr. Braude was employed by the Company in the early 1960's as a sales trainee.

James T. Carr (Age 58) Member of the: <ul style="list-style-type: none"> Executive Committee 	Director <u>Business Experience:</u> Mr. Carr is the President and Chief Executive Officer of the National Association of Intercollegiate Athletics, and has served in that position since September 2006. Mr. Carr joined the NAIA in 1998 as managing director and general counsel and became chief operating officer and general counsel in 2000. <u>Other Current Board Positions:</u> The <i>Champions of Character</i> Foundation, USA Basketball, Baptist-Trinity Lutheran Legacy Foundation and the Police Athletic League.
John C. Cozad (Age 80)	Director <u>Business Experience:</u> Mr. Cozad is President of Cozad Company, LLC, a government relations company in Platte City, Missouri. He was previously a partner at Stinson LLP, a Kansas City law firm. He has previously served on the Missouri Highways and Transportation Commission as Chairman and as a curator on the University of Missouri Board of Curators. <u>Other Current Board Positions:</u> Heartland Christian College and Farmers Mutual Insurance Company of Platte County.
Eileen M. Hutchinson (Age 65) Member of the: <ul style="list-style-type: none"> Audit Committee (Chair) 	Director <u>Business Experience:</u> Ms. Hutchinson retired as the Vice President of Finance and Chief Financial Officer of the Government Employee Health Association, Inc. ("GEHA") in 2016. Prior to joining GEHA, she worked as the Vice President of Finance for the Epoch Group, LLC, Tax Manager for Blue Cross Blue Shield of Kansas City, and in public accounting. Ms. Hutchinson is a certified public accountant ("CPA") and achieved the chartered global management accountant ("CGMA") designation. She is a member of the American Institute of Certified Public Accountants and the Missouri Society of Certified Public Accountants. She also serves on several non-profit boards of directors.
David S. Kimmel (Age 62) Member of the: <ul style="list-style-type: none"> Audit Committee Information Security Committee 	Director <u>Business Experience:</u> Mr. Kimmel is the Managing Partner and Co-Founder of Insurance Advisory Partners LLC, providing strategic, financial and capital raising advisory services for the global insurance and insurtech industry. Prior to this, he was Managing Partner and Founder of Summit Capital and CEO of CyberRiskPartners LLC, a privately held cyber risk analytics and risk management company. Mr. Kimmel previously worked in investment banking for the insurance industry with J.P. Morgan Securities and Deutsche Bank Securities, where he held various senior positions, including Managing Director and Insurance Investment Banking Group Head at both firms. <u>Other Current Board Positions:</u> Independent Director of Star Mountain Lower Middle-Market Capital Corp. (Chairman of Nominating and Corporate Governance Committee, member of Audit Committee, and member of Independent Directors Committee).
David A. Laird (Age 64) Member of the: <ul style="list-style-type: none"> Executive Committee 	Senior Vice President, Finance, Director <u>Business Experience:</u> Mr. Laird was elected Senior Vice President, Finance on February 4, 2022. He was elected as Vice President and Controller in 2007 and as Assistant Vice President and Assistant Controller in 1994. Mr. Laird has been with the Company since 1982 and previously served as Accounting Manager and Accounting Director. <u>Other Current Board Positions:</u> Old American Insurance Company, Grange Life Insurance Company, and Sunset Financial Services, Inc. (all subsidiaries).

A. Craig Mason, Jr. (Age 59)	<u>Senior Vice President, General Counsel and Secretary, Director</u> <u>Business Experience:</u> Mr. Mason is Senior Vice President, General Counsel and Secretary of the Company. He was elected Appointed Vice President, General Counsel and Secretary on November 1, 2010, and previously served in the legal department in different responsibilities after joining the Company in 2006. He has extensive experience in the insurance industry. As General Counsel, Mr. Mason is responsible for all legal matters involving the Company. Mr. Mason was appointed to his current position in 2013. <u>Other Current Board Positions:</u> Sunset Financial Services, Inc. (subsidiary).
Mark A. Milton (Age 66) Member of the: <ul style="list-style-type: none"> Executive Committee 	<u>Senior Vice President and Actuary, Director</u> <u>Business Experience:</u> Mr. Milton is Senior Vice President and Actuary of the Company. He was elected Assistant Actuary in 1984; Assistant Vice President, Associate Actuary in 1987; Vice President, Associate Actuary in 1989; Vice President and Actuary in 2000 and to his present position in 2001. <u>Other Current Board Positions:</u> Old American Insurance Company, Grange Life Insurance Company, and Sunset Financial Services, Inc. (all subsidiaries).
William A. Schalekamp (Age 80) Member of the: <ul style="list-style-type: none"> Executive Committee 	<u>Director</u> <u>Business Experience:</u> Mr. Schalekamp retired from his position as Senior Vice President, General Counsel and Secretary of the Company on October 31, 2010. He was elected Assistant Counsel in 1973; Associate Counsel in 1975; Assistant General Counsel in 1980; Associate General Counsel in 1984; Vice President and Chief Compliance Officer/Associate General Counsel in January 2002, and to his last position in April 2002.
Richard W. Seagraves (Age 68) Member of the: <ul style="list-style-type: none"> Audit Committee 	<u>Director</u> <u>Business Experience:</u> Mr. Seagraves is a former Audit Partner and Audit Professional Practice Partner for KPMG. He was also a member of KPMG's Audit Leadership Team and was one of the designated firm's SEC Reviewing Partners for 23 years. He is a member of the American Institute of Certified Public Accountants and the Missouri Society of Certified Public Accountants. He also has served on several non-profit boards of directors.

The business address of our directors and executive officers is 3520 Broadway, Kansas City, Missouri 64111.

2024 Compensation of Executive Officers

Name and Principal Position	Salary	Directors Fees
Walter E. Bixby President, CEO and Vice Chairman of the Board	\$ 757,124 ¹	\$ 6,000 ²
David A. Laird Senior Vice President, Finance	\$ 363,168 ¹	\$ 6,000 ²
Mark A. Milton Senior Vice President & Actuary	\$ 439,695 ¹	\$ 6,000 ²

¹ In addition to salary, our executive officers participate in the Company's Omnibus Incentive Plan (OIP) that may provide a payment if certain measures are achieved. The OIP provides: (i) Long Term Incentive (LTI) benefits based on measures including a Phantom Stock Option measure and a corporate performance measure; and (ii) Annual Incentive (AI) benefits based on corporate and individual goals. The LTI provisions apply only to senior officers, while the AI provisions apply to a broad range of management employees.

² Includes Director's Fees from the Company's subsidiaries.

2024 Director Compensation

We pay directors who are not employees of the Company an annual fee of \$20,000, payable quarterly, plus a \$2,500 attendance fee per quarterly meeting and a \$2,000 attendance fee per special meeting.

The tables below set forth a summary of director compensation for the fiscal year ending December 31, 2024.

Director	Board Fees	Committee Fees	All Other Compensation	Total Compensation
R. Philip Bixby ¹				
Chairman of the Board	\$ 152,000	\$ 24,000	\$ -	\$ 176,000
Kevin G. Barth	\$ 30,000	\$ 1,500	\$ -	\$ 31,500
William R. Blessing	\$ 30,000	\$ 16,500	\$ -	\$ 46,500
Michael Braude	\$ 30,000	\$ 2,000	\$ -	\$ 32,000
James T. Carr	\$ 30,000	\$ 15,000	\$ -	\$ 45,000
Howard E. Cohen	\$ 30,000	\$ 7,000	\$ -	\$ 37,000
John C. Cozad	\$ 30,000	\$ -	\$ -	\$ 30,000
David S. Kimmel	\$ 30,000	\$ 8,000	\$ -	\$ 38,000
Eileen M. Hutchinson	\$ 15,000	\$ 1,000	\$ -	\$ 16,000
Cecil R. Miller	\$ 7,500	\$ 4,000	\$ -	\$ 11,500
William A. Schalekamp	\$ 30,000	\$ 15,000	\$ -	\$ 45,000

¹ Chairman Bixby's Board Fees include Director's Fees from serving on the Board of the Company's subsidiaries.

We pay directors who are employees of the Company (Walter E. Bixby, A. Craig Mason, Jr., Mark A. Milton, and David A. Laird) an annual fee of \$5,000, payable quarterly, and a \$500 attendance fee per special meeting.

The Company reimburses travel expenses to attend Board and Committee meetings.

Beneficial Ownership of Directors and Officers ⁽¹⁾

Name of Beneficial Owner	Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned
Kevin G. Barth	--	--
William R. Blessing	100	*
Michael Braude	1,000	*
James T. Carr	--	--
Howard E. Cohen	--	--
John C. Cozad	--	--
David S. Kimmel	500	*
Eileen M. Hutchinson	--	--
David A. Laird	5,899	(2) *
A. Craig Mason, Jr.	1,461	(2) *
Cecil R. Miller	--	--
Mark A. Milton	--	--
Stephen E. Ropp	--	--
William A. Schalekamp	11,067	(2) *

* Less than 1%

- (1) Beneficial ownership information for the following directors appears in the "Beneficial Ownership of Control Persons" table below: R. Philip Bixby and Walter E. Bixby.
- (2) Includes a beneficial interest in shares held by the trustees of the Company's employee benefit plans as to which participants have the power to vote the shares held in their account.

B. Other Control Persons

Beneficial Ownership of Control Persons

Name and Address of Beneficial Owner	Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned
WEB Interests, Ltd. 3520 Broadway Kansas City, MO 64111	2,358,340	(1)(2) 24.4%
JRB Interests, LLC 3520 Broadway Kansas City, MO 64111	2,966,312	(2)(3) 30.6%
Lee M. Vogel 220 South Shore Drive Lake Winnebago, MO 64034	7,009,745	(2)(3)(4) 72.4%
Angeline I. Bixby 141 Triple Creek Pass Pine Mountain, GA 31822	2,934,245	(2)(5)(6) 30.3%
Nancy Bixby Hudson 425 Baldwin Creek Rd. Lander, WY 82520	3,190,008	(2)(3)(7) 32.9%
R. Philip Bixby 3520 Broadway Kansas City, MO 64111	2,920,963	(2)(6)(8) 30.2%
Walter E. Bixby 3520 Broadway Kansas City, MO 64111	2,941,889	(2)(6)(9) 30.4%

- (1) WEB Interests, Ltd. is a Texas limited partnership (the "WEB Partnership"). Each partner of the WEB Partnership has the power to dispose of that number of shares of Common Stock owned by the WEB Partnership which equals such partner's proportionate interest in the WEB Partnership.
- (2) Lee M. Vogel ("Mr. Vogel") has the sole voting power for 7,009,745 shares, including all shares described herein, pursuant to a Voting Agreement dated October 31, 2004, among certain members of the Bixby family.
- (3) JRB Interests, LLC is a Missouri limited company ("JRB"). Each member of JRB has the power to dispose of that number of shares of Common Stock owned by JRB corresponding to such member's proportionate interest in JRB.
- (4) Includes 2,966,312 shares for which Mr. Vogel, as a member of JRB, shares the power of disposition. Of these shares, Mr. Vogel: (a) as a member of JRB, in his individual capacity, has an indirect pecuniary interest in 169 shares; (b) as a co-trustee (with The Midwest Trust

Company of Missouri) of the Issue Trust for Lee M. Vogel, a member of JRB, shares the power to dispose of 946,475 shares, and (c) as a co-trustee (with The Midwest Trust Company of Missouri) of the Lee M. Vogel GST Exempt Issue Trust, a member of JRB, shares the power to dispose of 82,754 shares. Mr. Vogel disclaims pecuniary interest in all but 1,029,402 shares owned by JRB. Also includes 7,098 shares beneficially owned by Mr. Vogel as sole trustee of the Lee M. Vogel Revocable Trust dated March 15, 2005.

- (5) Includes (a) 4,770 shares for which Ms. Bixby, as an individual general partner of the WEB Partnership, has the sole power of disposition, (b) 781,342 shares for which Ms. Bixby, an individual limited partner, as the sole trustee of the Angeline I. Bixby GST Trust, and as the sole trustee of the Issue Trust for Angeline I. Bixby, which is a limited partner of the WEB Partnership, has the power of disposition, and (c) 353,688 shares owned by Angeline I. Bixby directly and as to which she has the sole power of disposition.
- (6) Includes 2,358,340 shares owned by WEB Partnership, as to which Walter E. Bixby, R. Philip Bixby and Angeline I. Bixby, as general partners of the WEB Partnership, in their capacities as co-trustees of the WEB Trust, share the power of disposition. Also includes 222,217 shares held in the Walter E. Bixby Descendants Trust and as to which R. Philip Bixby, Walter E. Bixby and Angeline I. Bixby, the co-trustees of this trust, share the power of disposition. The terms of the trust restrict the transfer of these shares.
- (7) Includes 223,696 shares for which Nancy Bixby Hudson, as sole trustee of the Nancy Bixby Hudson Trust dated December 11, 1997, has the sole power of disposition. Also includes 2,966,312 shares for which Nancy Bixby Hudson, as a member of JRB, shares with the other members of JRB, the power of disposition of these shares, which are owned by JRB. Ms. Hudson (a) as a member of JRB, has sole power to dispose of 169 of these shares; and (b) as a co-trustee (with The Midwest Trust Company of Missouri) of the Nancy Bixby Hudson GST Trust, the Nancy Bixby Hudson GST Non-Exempt Trust and the Issue Trust for Nancy Bixby Hudson, which trusts are members of JRB, shares the power to dispose of 1,936,741 of these shares. Ms. Hudson disclaims pecuniary interest in 1,029,402 shares owned by JRB.
- (8) Includes (a) 4,770 shares for which R. Philip Bixby, as an individual general partner of the WEB Partnership, has the power of disposition; and (b) 458,366 shares for which Mr. Bixby, as sole trustee of the Robert Philip Bixby Revocable Trust, and 322,977 shares for which Mr. Bixby, as co-trustee of the Robert Philip Bixby 2012 GST Trust, which trusts are limited partners of the WEB Partnership, has the power of disposition. Also includes 296,489 shares owned by R. Philip Bixby directly and as to which he has the sole power of disposition, and a beneficial interest in 43,917 shares held by the trustees of the Company's employee benefit plans as to which participants have the power to vote the shares held in their account.
- (9) Includes (a) 4,770 shares for which Walter E. Bixby, as an individual general partner of the WEB Partnership, has the sole power of disposition; and (b) 592,676 shares for which Mr. Bixby, as the sole trustee of the Walter E. Bixby, III GST Trust, which is a limited partner of the WEB Partnership, has the power of disposition. Also includes (a) 326,688 shares which Walter E. Bixby owns directly and has the sole power of disposition; (b) and a beneficial interest in 34,644 shares held by the trustees of the Company's employee benefit plans as to which participants have the power to vote the shares held in their account.

We are not aware of any additional beneficial shareholders owning 5% or more of our Common Stock. It is possible that there are one or more additional beneficial holders of a significant percentage of our Common Stock, however the federal securities laws do not require a beneficial shareholder of 5% or more of our Common Stock to disclose that information publicly or to the Company. The table above is based on the best information available to the Company.

B. Legal/Disciplinary History

In the last five years, none of our officers, directors or control persons have been the subject of any of the following:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

C. Disclosure of Family Relationships

R. Philip Bixby, Chairman of the Board; Walter E. Bixby, President, Chief Executive Officer and Vice Chairman of the Board, and President of Old American and Grange Life, subsidiaries; and Angeline I. Bixby; all of whom beneficially hold more than 5% of our common stock, are siblings. R. Philip Bixby, Walter E. Bixby and Angeline I. Bixby are trustees of WEB Interests, Ltd, which holds more than 5% of our common stock.

Nancy Bixby Hudson and Lee M. Vogel, who votes the proxy for the control group holding the majority of our common stock, are siblings. Nancy Bixby Hudson and Lee M. Vogel are trustees of JRB Interests, LLC, which holds more than 5% of our common stock.

R. Philip Bixby, Walter E. Bixby, and Angeline I. Bixby are cousins of Nancy Bixby Hudson and Lee M. Vogel.

D. Disclosure of Related Party Transactions

There were no related party transactions over the last two calendar years and there are no currently proposed transactions involving the Company in which any related person had or will have a direct or indirect material interest.

E. Disclosure of Conflicts of Interest

There are no conflicts of interest with regards to our executive officers and directors.

Item 12. Financial Information for the Issuer's Most Recent Fiscal Period

Our audited consolidated financial statements for the year ended December 31, 2024, are attached to this filing with the OTC Disclosure and News Service and are incorporated herein by reference.

Item 13. Similar Financial Information for Such Part of the Two Preceding Fiscal Years as the Issuer or its Predecessor Has Been in Existence

Our audited consolidated financial statements for the years ended December 31, 2023, and December 31, 2022 are incorporated herein by reference and are available through the OTC Disclosure and News Service, our website (www.kclife.com) or at www.otcm Markets.com.

Item 14. The Name, Address, Telephone Number, and Email Address of Each of the Following Outside Providers that Advise the Issuer on Matters Relating to Operations, Business Development and Disclosure

Our counsel is:

Scott Claassen, Esq.
Stinson LLP
1201 Walnut Street, Suite 2900
Kansas City, MO 64106
scott.claassen@stinson.com
(816) 691-3263

Our auditor is:

Forvis Mazars, LLP
1201 Walnut Street, Suite 1700
Kansas City, MO 64106
BKD-OTCOX@us.forvismazars.com
(816) 221-6300

Preparation of our consolidated financial statements is the responsibility of the Company. Forvis Mazars, LLP is responsible for conducting an audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America, with the objective of expressing an opinion as to whether the presentation of the consolidated financial statements conforms with accounting principles generally accepted in the United States of America (GAAP). Forvis Mazars, LLP has confirmed to us that the firm is licensed to practice public accounting in the states in which we conduct our business. Forvis Mazars, LLP is registered with the PCAOB.

Item 15. Management's Discussion and Analysis or Plan of Operation

A. Plan of Operation

This item is not applicable as we have had revenues in each of the last two fiscal years.

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

Our Management's Discussion and Analysis of Financial Condition and Results of Operations for each of the last two fiscal years are incorporated by reference to our financial Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcm Markets.com.

C. Off-Balance Sheet Arrangements

As of December 31, 2024, we did not have any significant or material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the issuer's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Part E - Issuance History

Item 16. List of Securities Offerings and Shares Issued for Services in the Past Two Years

We have had no securities offerings or shares issued for services during the past two fiscal years, or since December 31, 2024.

Part F - Exhibits

Item 17. Material Contracts

1. The Voting Agreement between members of the Company's Control Group was filed in the Company's 8-K on November 3, 2004 and is incorporated herein by reference.
2. Kansas City Life Deferred Compensation Plan, as amended and restated effective July 2, 2012, was filed as Exhibit 10(a) to the Company's 2012 10-K and is incorporated herein by reference.
3. Kansas City Life Insurance Company Omnibus Incentive Plan, effective January 1, 2014, and filed as Exhibit 10(k) to the Company's 2015 10-K and is incorporated herein by reference.
4. The fourth amendment to the Kansas City Life Excess Benefit Plan was filed as Exhibit 10(d) to the Company's 2010 10-K and is incorporated herein by reference.
5. The Coinsurance Agreement between Kansas City Life Insurance Company and Transamerica Occidental Life Insurance Company of Cedar Rapids, Iowa effective January 19, 2005, was filed as Exhibit 10(e) to the Company's 2009 10-K/A and is incorporated herein by reference.
6. The Automatic and Facultative Reinsurance Agreement (Coinsurance Basis) between Kansas City Life Insurance Company and Security Life of Denver Insurance Company effective May 1, 2002, was filed as Exhibit 10(g) to the Company's 2009 10-K/A and is incorporated herein by reference.
7. The Automatic and Facultative Coinsurance Reinsurance Agreement between Kansas City Life Insurance Company and RGA Reinsurance Company effective May 1, 2002, was filed as Exhibit 10(h) to the Company's 2009 10-K/A and is incorporated herein by reference.

Item 18. Articles of Incorporation and Bylaws

The Articles of Incorporation, as Restated in 1986 and amended in 1999, were filed as Exhibit 3(a) to the Company's 10-Q for the quarter ended September 30, 1999, and incorporated herein by reference. Two amendments to the Articles of Incorporation, effective December 16, 2015, are attached as Exhibit 19 to the Annual Information and Disclosure Statement reported on OTCQX for the year ended December 31, 2015, and incorporated herein by reference.

The Bylaws as Amended and Restated October 29, 2007, were filed as Exhibits 3.1 and 3.2 to the Company's 8-K for October 30, 2007, and are incorporated herein by reference.

Item 19. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Our Board of Directors regularly authorizes the Company to repurchase shares on the open market. On January 22, 2024, the Board authorized the Company to purchase up to one million shares between the authorization date and January 27, 2025. On January 27, 2025 the Board authorized the Company to purchase up to one million shares between authorization and January 27, 2026.

During 2024, there were no purchases of equity securities by the Issuer or any Affiliated Purchasers.

Item 20. Issuer's Certifications

I, Walter E. Bixby, certify that:

1. I have reviewed this annual 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 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: March 4, 2025

/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 annual 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 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: March 4, 2025

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



KANSAS CITY LIFE

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

ANNUAL REPORT

For the Period Ending December 31, 2024
(the "Reporting Period")

The number of shares outstanding of our Common Stock was 9,683,414 as of December 31, 2024 (the end of reporting period)

The number of shares outstanding of our Common Stock was 9,683,414 as of September 30, 2024 (the end of previous reporting period)

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

Yes: ☐ No: ☒

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

Yes: ☐ No: ☒

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

Yes: ☐ No: ☒

KANSAS CITY LIFE INSURANCE COMPANY
TABLE OF CONTENTS

<u>Financial Information</u>	<u>3</u>
<u>Consolidated Balance Sheets</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>4</u>
<u>Consolidated Statements of Stockholders' Equity</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements</u>	<u>8</u>
<u>Independent Auditors' Report</u>	<u>75</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>77</u>
<u>Risk Factors</u>	<u>88</u>

Financial Information

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

Kansas City Life Insurance Company
Consolidated Balance Sheets

	December 31,	
	2024	2023
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value (amortized cost: 2024 - \$2,568,893; 2023 - \$2,535,401)	\$ 2,350,032	\$ 2,352,043
Equity securities, at fair value (cost: 2024 - \$1,084; 2023 - \$1,076)	819	845
Mortgage loans (net of allowance for credit losses: 2024 - \$1,416; 2023 - \$1,581)	575,068	592,328
Real estate	96,867	98,042
Policy loans	84,913	84,025
Short-term investments	64,917	91,569
Other investments	48,825	27,488
Total investments	3,221,441	3,246,340
Cash	8,101	9,695
Accrued investment income	31,147	29,815
Deferred acquisition costs	302,130	308,737
Reinsurance recoverables (net of allowance for credit losses: 2024 - \$1,367; 2023 - \$1,353)	404,191	409,213
Deposit asset on reinsurance	377,475	419,448
Other assets	261,049	233,968
Separate account assets	413,426	395,946
Total assets	<u>\$ 5,018,960</u>	<u>\$ 5,053,162</u>
LIABILITIES		
Future policy benefits	\$ 1,428,386	\$ 1,415,755
Policyholder account balances	2,154,596	2,199,730
Policy and contract claims	56,227	59,295
Other policyholder funds	195,398	191,820
Other liabilities	189,478	181,259
Separate account liabilities	413,426	395,946
Total liabilities	<u>4,437,511</u>	<u>4,443,805</u>
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	948,985	959,373
Accumulated other comprehensive loss	(190,381)	(172,861)
Treasury stock, at cost (2024 and 2023 - 8,813,266 shares)	(241,301)	(241,301)
Total stockholders' equity	<u>581,449</u>	<u>609,357</u>
Total liabilities and stockholders' equity	<u>\$ 5,018,960</u>	<u>\$ 5,053,162</u>

See accompanying Notes to Consolidated Financial Statements

Kansas City Life Insurance Company
Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2024	2023	2022
REVENUES			
Insurance revenues:			
Net premiums	\$ 196,363	\$ 211,166	\$ 208,608
Contract charges	124,786	122,587	124,044
Total insurance revenues	321,149	333,753	332,652
Investment revenues:			
Net investment income	164,616	157,641	153,879
Net investment gains (losses)	(676)	62,053	(16,643)
Total investment revenues	163,940	219,694	137,236
Other revenues	5,698	5,473	6,754
Total revenues	490,787	558,920	476,642
BENEFITS AND EXPENSES			
Policyholder benefits	250,352	265,788	258,399
Interest credited to policyholder account balances	78,801	74,311	72,974
Amortization of deferred acquisition costs	35,255	34,359	40,593
Operating expenses	132,705	115,152	125,433
Total benefits and expenses	497,113	489,610	497,399
Income (loss) before income tax expense (benefit)	(6,326)	69,310	(20,757)
Income tax expense (benefit)	(1,361)	14,390	(4,539)
NET INCOME (LOSS)	\$ (4,965)	\$ 54,920	\$ (16,218)
COMPREHENSIVE INCOME (LOSS), NET OF TAXES			
Changes in:			
Net unrealized gains (losses) on securities available for sale	\$ (28,048)	\$ 68,940	\$ (366,516)
Effect on deferred acquisition costs, value of business acquired, and deferred revenue liabilities	3,266	(6,055)	31,334
Policyholder liabilities	—	—	26,765
Benefit plan obligations	7,262	5,844	(7,424)
Other comprehensive income (loss)	(17,520)	68,729	(315,841)
COMPREHENSIVE INCOME (LOSS)	\$ (22,485)	\$ 123,649	\$ (332,059)
Basic and diluted earnings per share:			
Net income (loss)	<u>\$ (0.51)</u>	<u>\$ 5.67</u>	<u>\$ (1.67)</u>

See accompanying Notes to Consolidated Financial Statements

Kansas City Life Insurance Company
Consolidated Statements of Stockholders' Equity

	Year Ended December 31,		
	2024	2023	2022
COMMON STOCK , beginning and end of year	<u>\$ 23,121</u>	<u>\$ 23,121</u>	<u>\$ 23,121</u>
ADDITIONAL PAID IN CAPITAL , beginning and end of year	<u>41,025</u>	<u>41,025</u>	<u>41,025</u>
RETAINED EARNINGS			
Beginning of year	959,373	910,438	933,338
Net income (loss)	(4,965)	54,920	(16,218)
Stockholder dividends (2024 and 2023 - \$0.56 per share; 2022 - \$0.69 per share)	(5,423)	(5,423)	(6,682)
Cumulative effect of adoption of new accounting principle	—	(562)	—
End of year	<u>948,985</u>	<u>959,373</u>	<u>910,438</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Beginning of year	(172,861)	(241,590)	74,251
Other comprehensive income (loss)	(17,520)	68,729	(315,841)
End of year	<u>(190,381)</u>	<u>(172,861)</u>	<u>(241,590)</u>
TREASURY STOCK , at cost, beginning and end of year	<u>(241,301)</u>	<u>(241,301)</u>	<u>(241,301)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>\$ 581,449</u>	<u>\$ 609,357</u>	<u>\$ 491,693</u>

See accompanying Notes to Consolidated Financial Statements

Kansas City Life Insurance Company
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2024	2023	2022
OPERATING ACTIVITIES			
Net income (loss)	\$ (4,965)	\$ 54,920	\$ (16,218)
Adjustments to reconcile net income (loss) to net cash used from operating activities:			
Amortization of investment premium and discount	1,259	1,954	2,837
Depreciation and amortization	3,524	5,255	6,592
Acquisition costs capitalized	(21,973)	(23,616)	(26,612)
Amortization of deferred acquisition costs	35,255	34,359	40,593
Net investment losses (gains)	676	(62,053)	16,643
Changes in assets and liabilities:			
Reinsurance recoverables	5,022	(8,512)	(2,372)
Future policy benefits	12,631	26,831	24,861
Policyholder account balances	(80,089)	(91,089)	(92,909)
Income taxes payable and deferred	(20,743)	4,722	(7,304)
Other, net	11,034	6,692	(442)
Net cash used	<u>(58,369)</u>	<u>(50,537)</u>	<u>(54,331)</u>
INVESTING ACTIVITIES			
Purchases:			
Fixed maturity securities	(240,556)	(335,463)	(441,308)
Equity securities	—	—	(8)
Mortgage loans	(39,545)	(23,539)	(69,974)
Real estate	(1,425)	(2,454)	(2,733)
Policy loans	(3,746)	(3,531)	(7,116)
Other investments	(26,798)	(10,861)	(14,553)
Property and equipment	(1,306)	(916)	(535)
Sales or maturities, calls, and principal paydowns:			
Fixed maturity securities	200,257	265,130	343,993
Equity securities	—	—	2,000
Mortgage loans	56,970	62,799	74,111
Real estate	570	68,739	843
Policy loans	2,857	2,246	6,437
Other investments	13,066	8,299	3,639
Property and equipment	—	20	25
Net sales (purchases) of short-term investments	<u>26,651</u>	<u>(33,071)</u>	<u>16,004</u>
Net cash used	<u>(13,005)</u>	<u>(2,602)</u>	<u>(89,175)</u>

Kansas City Life Insurance Company
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2024	2023	2022
FINANCING ACTIVITIES			
Policyholder account balances - deposits	\$ 190,546	\$ 195,571	\$ 207,231
Policyholder account balances - receipts from funding agreements	20,000	—	70,000
Withdrawals from policyholder account balances	(185,834)	(203,536)	(172,117)
Change in deposit asset on reinsurance, net	56,583	81,524	45,799
Net transfers from separate accounts	721	2,678	7,841
Change in other deposits	(6,813)	(15,748)	(6,217)
Cash dividends to stockholders	(5,423)	(5,423)	(6,682)
Net cash provided	69,780	55,066	145,855
Increase (decrease) in cash	(1,594)	1,927	2,349
Cash at beginning of year	9,695	7,768	5,419
Cash at end of year	\$ 8,101	\$ 9,695	\$ 7,768

Non-Cash Activity

In 2023, we had a non-cash investing transaction that consisted of a transfer of \$4.7 million of land from real estate to real estate joint ventures. We also had a non-cash investing transaction that consisted of a sale of real estate in exchange, in part, for a commercial mortgage loan of \$38.5 million.

In 2022, we had a non-cash investing transaction that consisted of the receipt of a \$0.6 million equity security and a \$1.0 million fixed maturity security in exchange for a \$1.6 million fixed maturity security as a result of the Chapter 11 Bankruptcy of the issuer of one of our fixed maturity securities. The new equity and fixed maturity securities were recorded at fair value, which equaled the fair value of the fixed maturity security that was extinguished.

In 2022, we entered into a reinsurance arrangement in the form of a deposit-type contract that resulted in the non-cash transfer of \$493.9 million of fixed maturity securities and \$516.2 million of policyholder account balance liabilities to a certified domestic reinsurer. See the Business Changes section of Note 1 - Nature of Operations and Significant Accounting Policies for further information.

See accompanying Notes to Consolidated Financial Statements

Kansas City Life Insurance Company

Notes to Consolidated Financial Statements

1. Nature of Operations and Significant Accounting Policies

Business

Kansas City Life Insurance Company is a Missouri-domiciled stock life insurance company which, with its subsidiaries, is licensed to sell insurance products in 49 states and the District of Columbia. The consolidated entity (the Company) offers a diversified portfolio of individual insurance, annuity, and group life and health products through its life insurance companies. 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. For additional information on our segments, please see Note 17 - Segment Information.

Basis of Presentation

The consolidated financial statements and the accompanying notes to the consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of Kansas City Life and its subsidiaries. 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.

Business Changes

There were no significant business changes during 2024 or 2023.

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 have accounted for this transaction as a deposit-type contract. For additional information on this reinsurance arrangement, please see Note 14 - Reinsurance.

Current Economic Environment

The U.S. economy faces a complex post-pandemic environment characterized by tight labor markets, persistent inflation, and geopolitical uncertainty. While inflation has moderated from 2022-2023 highs, it remains above the Federal Reserve's 2% target. The Federal Reserve enacted a series of rate cuts in the latter half of 2024, totaling 100 basis points. This brought the target range to 4.25% to 4.50%.

Despite high rates, the economy has demonstrated remarkable resilience, with robust consumer spending and above-trend gross domestic product (GDP) growth, driven by strength in services and business investment. Still, interest rate-sensitive sectors like commercial real estate and construction remain under pressure.

This environment presents both opportunities and challenges. Higher yields offer attractive reinvestment options for fixed income; however, some existing holdings have experienced value depreciation. A prolonged period of tight monetary policy raises concerns about a potential recession, which could increase the risk of asset impairments, defaults, and delinquencies.

Use of Estimates

The preparation of the consolidated financial statements requires the Company's management to make 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 consolidated financial statements, and the reported amounts of certain revenue and expenses during the period. These estimates are inherently subject to change and actual results could differ from these estimates. Significant estimates required in the preparation of the consolidated financial statements include determinations of fair values of invested assets, deferred acquisition costs (DAC), deferred income taxes, goodwill and other intangibles, value of business acquired (VOBA), deferred revenue liability (DRL), policyholder account balances, future policy benefits, policy and contract claim liabilities, reinsurance, and pension and other postemployment benefits.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

Significant Accounting Policies

Investments

Valuation of Investments

Our principal investments are in fixed maturity securities, mortgage loans, and real estate; all of which are exposed to at least four primary sources of investment risk, including: credit, interest rate, liquidity, and inflation.

Fixed Maturity Securities

Fixed maturity securities, which are all classified as available for sale, are carried at fair value in the Consolidated Balance Sheets, with unrealized gains or losses recorded in Accumulated Other Comprehensive Income (Loss). Unrealized gains or losses are recorded net of the adjustment to policyholder liabilities, DAC, VOBA, and DRL, to reflect what would have been earned had those gains or losses been realized and the proceeds reinvested. Adjustments to DAC, VOBA, and DRL represent changes in the amortization that would have been required as a charge or credit to income had such unrealized amounts been realized. Adjustments to policyholder liabilities represent the increase from using a discount rate that would have been required if such unrealized gains or losses had been realized and the proceeds reinvested at current market interest rates, which were different from the then-current effective portfolio rate.

The Company evaluates securities for credit loss when fair value is less than amortized cost, interest payments are missed, or the security is experiencing other potential credit issues. The assessment of whether credit losses 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 Accounting Standards Update (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 (Losses) 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 fully 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 exist, 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. This guidance also allows for subsequent improvements to occur. Accordingly, the recorded value of the security may be increased and the allowance for credit losses may be reduced to an amount not below zero, as improvements occur and realized losses decline.

During the year ended December 31, 2022, prior to the adoption of ASU No. 2016-13 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.

Equity Securities

Equity securities are carried at fair value. Changes in the fair value of equity securities are recognized through net investment gains (losses) in the Consolidated Statements of Comprehensive Income.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

Mortgage Loans

Mortgage loans are stated at cost, adjusted for amortization of premium and accrual of discount, net of an allowance for credit losses. The allowance for credit losses for mortgage loans is maintained at a level believed by management to be adequate to absorb potential future incurred credit losses. Loans in foreclosure, loans considered to be impaired, and loans with amounts past due 90 days or more are placed on non-accrual status.

Upon adoption of ASU No. 2016-13, credit losses on mortgage loans are recognized in Net Investment Gains (Losses) 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.

Real Estate

Real estate consists of directly owned investments and real estate joint ventures. Real estate that is directly owned is carried at depreciated cost. Real estate joint ventures consist primarily of office buildings, industrial warehouses, land in the process of development, unimproved land for future development, and affordable housing real estate joint ventures. Real estate joint ventures are consolidated when required. The initial cost of the non-consolidated affordable housing real estate joint ventures is amortized in proportion to the tax credits and other tax benefits received and the net investment performance is recognized in the Consolidated Statements of Comprehensive Income as a component of Income Tax Expense. The investments in other non-consolidated real estate joint ventures are recorded using the equity method of accounting, in which the initial cost of the investment is adjusted for earnings and cash contributions or distributions.

Policy Loans

Policy loans are carried at their outstanding principal amount.

Short-Term Investments

Short-term investments include cash equivalents and highly-liquid investments in institutional money market funds that are carried at net asset value (NAV).

Other Investments

Other investments include hedge positions classified as derivatives, alternative investment funds, equity holdings, and mineral rights.

The Company has hedge positions classified as derivatives that are included in Other Investments in the Consolidated Balance Sheets. These derivative assets are recorded at fair value and are established in relation to the Company's indexed universal life portfolio. The index credit portion of the reserves associated with the indexed universal life products are considered to be embedded derivatives and are accounted for at fair value and are included in Policyholder Account Balances in the Consolidated Balance Sheets. The fair value of the reserves will fluctuate depending on market conditions. However, this fluctuation is largely offset by a corresponding change in the realized gains or losses on these derivatives. Changes in market values can result in significant fluctuations to realized gains and losses in the Consolidated Statements of Comprehensive Income.

The Company includes investments in alternative investment funds in Other Investments in the Consolidated Balance Sheets. The Company does not have a controlling interest and is not the primary beneficiary for certain of these investments, which are in the form of limited partnerships. As a result, the investments are accounted for using the equity method of accounting to determine the carrying value. Adjustments to the carrying value reflect the pro rata ownership percentage of the operating results, as indicated by the net asset value in the financial statements of the limited partnership, which are reported on a three-month lag. The proportionate share of limited partnership income is reported as a component of Net Investment Income in the Consolidated Statements of Comprehensive Income.

Kansas City Life Insurance Company

Notes to Consolidated Financial Statements – (Continued)

Investment Income

Investment income is recognized when earned. Premiums and discounts on fixed maturity securities are amortized over the life of the related security as an adjustment to yield using the effective interest method, with the exception of premiums on callable fixed maturity securities, which are amortized to the earliest call date.

Realized Gains (Losses)

We realize investment gains and losses from several sources, including sales and calls of investment securities, sales of real estate and joint ventures, the change in fair value of equity securities and other investments, impairments, and the change in the allowance for credit losses.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies, including traditional life insurance, immediate annuities with life contingencies, supplementary contracts with life contingencies, group life insurance, and accident and health insurance. These liabilities originate from new premiums and conversions from other products and are generally payable over an extended period of time.

Liabilities for future policy benefits of traditional life insurance have been computed by a net level premium method based upon estimates at the time of issue or at the time of acquisition for investment yields, mortality, and withdrawals. These estimates include provisions for experience less favorable than initially expected. Mortality assumptions are based on Company experience expressed as a percentage of standard mortality tables.

Liabilities for future policy benefits of immediate annuities and supplementary contracts with life contingencies are computed by calculating an actuarial present value of future policy benefits, based upon estimates for investment yields and mortality at the time of issue or at the time of acquisition.

Liabilities for future policy benefits of accident and health insurance represent estimates of payments to be made on reported insurance claims, as well as claims incurred-but-not-reported (IBNR). These liabilities are estimated using actuarial analyses and case basis evaluations that are based upon past claims experience, claim trends, and industry experience.

The following table provides detail about the composition of future policy benefits at December 31.

	2024	2023
Life insurance	\$ 1,147,388	\$ 1,127,544
Immediate annuities and supplementary contracts with life contingencies	253,773	259,989
Accident and health insurance	27,225	28,222
Future policy benefits	<u>\$ 1,428,386</u>	<u>\$ 1,415,755</u>

Policyholder Account Balances

Policyholder account balances are deposit-type contracts, including universal life insurance and fixed annuity contracts, and investment-type contracts. Liabilities for policyholder account balances are included without reduction for potential surrender charges. These liabilities originate from new deposits and conversions from other products. Policyholder account balances are equal to cumulative deposits, less contract charges and withdrawals, plus interest credited. Deferred front-end contract charges reduce policyholder account balance liabilities and increase the other policyholder funds liability, and are amortized over the term of the policies in a manner similar to DAC, as discussed below. Interest on policyholder account balances is credited as earned.

The Company has collateralized advance funding agreements with the Federal Home Loan Bank of Des Moines (FHLB) for which the funds are used in an arbitrage program to enhance investment income. The maximum participation level was \$140.0 million with this program at December 31, 2024, up from \$100.0 million at December 31, 2023. Total obligations outstanding under these agreements were \$120.0 million at December 31, 2024 and \$100.0 million at December 31, 2023. These obligations are also reported as Policyholder Account Balances in the Consolidated Balance Sheets. Interest is credited based on variable rates set by the FHLB. For additional information, please see Note 10 - Debt.

Crediting rates for universal life insurance and fixed annuity products ranged from 1.00% to 5.50% in 2024, 2023, and 2022.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following table provides detail about the composition of policyholder account balances at December 31.

	2024	2023
Universal life insurance	\$ 1,066,662	\$ 1,077,002
Fixed annuities	916,184	965,610
Immediate annuities and supplementary contracts without life contingencies	50,915	56,026
Funding agreements	120,835	101,092
Policyholder account balances	<u>\$ 2,154,596</u>	<u>\$ 2,199,730</u>

Deferred Acquisition Costs

DAC, principally agent commissions and other selling and issue costs, which are related directly to the successful acquisition of new or renewal insurance contracts, are capitalized as incurred. At least annually, we review our DAC capitalization policy and the specific items which are capitalized under existing guidance. DAC is reviewed on an ongoing basis to evaluate whether the unamortized portion exceeds the expected recoverable amounts. If it is determined from emerging experience that the premium margins or expected gross profits are insufficient to amortize DAC, the asset will be adjusted downward with the adjustment recorded as an expense in the current period.

Policy acquisition costs associated with traditional life products are deferred and amortized over the premium paying period. Assumptions related to DAC on traditional life insurance products are typically determined at inception and remain unchanged with any future premium deficiency recorded first as a reduction of DAC.

Policy acquisition costs that relate to interest sensitive and variable insurance products are deferred and amortized in relation to the estimated gross profits to be realized over the lives of the contracts. Estimated gross profits for interest sensitive and variable insurance products are projected using assumptions as to net interest income, net realized investment gains and losses, fees, surrender charges, expenses, and mortality gains and losses, net of reinsurance. At the issuance of policies, projections of estimated gross profits are made. These projections are then replaced by actual gross profits over the lives of the policies. In addition to other factors, emerging experience may lead to a revised outlook for the remaining estimated gross profits. Accordingly, DAC may be recalculated (unlocked) using these new assumptions and any resulting adjustment is included in income in the period such an unlocking is deemed appropriate. See the Unlocking and Refinements in Estimates section below for additional information.

The DAC asset is adjusted to reflect the impact of unrealized gains and losses on fixed maturity securities available for sale, as described in the Investments section above.

The following table provides information about DAC at December 31.

	2024	2023
Balance at beginning of year	\$ 308,737	\$ 327,544
Capitalization of commissions and expenses	21,973	23,616
Gross amortization	(45,396)	(44,959)
Accrual of interest	10,141	10,600
Change in DAC due to the change in unrealized investment gains or (losses)	6,675	(8,064)
Balance at end of year	<u>\$ 302,130</u>	<u>\$ 308,737</u>

Value of Business Acquired

Under current guidance for business combinations, all assets and liabilities are reported at fair value at acquisition and an intangible asset or liability may result due to differences between fair value and consideration paid. However, prior to the adoption of Accounting Standards Codification (ASC) No. 805 Business Combinations, a portion of the purchase price was allocated to a separately identifiable intangible asset, VOBA, when a new block of business was acquired or when an insurance company was purchased. VOBA is established as the actuarially determined present value of future gross profits of the business acquired and is amortized with interest in proportion to future premium revenues or the expected future profits, depending on the type of business acquired. VOBA is reported as a component of Other Assets with related amortization included in Operating Expenses. Amortization of VOBA occurs with interest over the anticipated life of the underlying business to which it relates, initially 15 to 30 years. The assumptions regarding future experience on interest sensitive business

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

can affect the carrying value of VOBA, similar to DAC. These assumptions include interest spreads, mortality, expense margins, and policy and premium persistency experience.

The VOBA asset is adjusted to reflect the impact of unrealized gains and losses on fixed maturity securities available for sale, as described in the Investments section above.

VOBA is reviewed on an ongoing basis to evaluate whether the unamortized portion exceeds the expected recoverable amounts. If it is determined from emerging experience that the premium margins or expected gross profits are insufficient to amortize VOBA, the asset will be adjusted downward with an expense recorded in the current period.

The following table provides information about VOBA at December 31.

	2024	2023
Balance at beginning of year	\$ 13,721	\$ 18,460
Gross amortization	(1,519)	(2,127)
Accrual of interest	423	513
Change in VOBA due to the change in unrealized investment gains or (losses)	1,359	(3,125)
Balance at end of year	<u>\$ 13,984</u>	<u>\$ 13,721</u>

Interest accrued on the VOBA of one block of business was at the rates of 4.21% on the interest sensitive life portion and 5.25% on the traditional life portion, based upon the credited rates of the VOBA policies. The VOBA on a separate acquired block of business used a 7.00% interest rate on the traditional life portion and a 5.40% interest rate on the interest sensitive portion, based upon rates appropriate at the time of acquisition.

Deferred Revenue Liabilities

Deferred revenue liabilities represent the capitalization of revenues received from contracts as compensation for services to be provided by the Company in future periods. Deferred revenue liabilities are largely associated with interest sensitive and variable products and are included in Other Policyholder Funds in the Consolidated Balance Sheets and totaled \$83.1 million at December 31, 2024 and \$75.1 million at December 31, 2023. Such loads and charges are reported as unearned revenue in the period received and are subsequently recognized as income over the policy benefit period, using the same assumptions and factors used to amortize DAC. Similar to DAC, these amounts are amortized in relation to estimated gross profits for interest sensitive and variable insurance products. However, unlike DAC, the amortization of the DRL results in the recognition of revenue rather than expense. The DRL is adjusted to reflect the impact of unrealized gains and losses on fixed maturity securities available for sale, as described in the Investments section above. The DRL can be impacted by unlocking and refinements in estimates, as discussed in the following section.

Unlocking and Refinements in Estimates

Models and assumptions used to develop expected gross profits for interest sensitive and variable insurance products are reviewed at least annually based upon management's current view of future events. Key factors analyzed include net interest income, net realized investments gains and losses, fees, surrender charges, expenses, and mortality gains and losses, net of reinsurance. Management's view primarily reflects Company experience but can also reflect emerging trends within the industry. Short-term deviations in experience affect the amortization of DAC, VOBA, and DRL in the period, but do not necessarily indicate that a change to the long-term assumptions of future experience is warranted. If it is determined that it is appropriate to change the assumptions related to future experience, then an unlocking adjustment is recognized for the block of business being evaluated. Certain assumptions, such as interest spreads and surrender rates, may be interrelated. As such, unlocking adjustments often reflect revisions to multiple assumptions. The DAC, VOBA, or DRL balance is immediately impacted by any assumption changes, with the change reflected through the Consolidated Statements of Comprehensive Income as an unlocking adjustment. These adjustments can be positive or negative, and adjustments increasing the DAC asset are limited to amounts previously deferred plus interest accrued through the date of the adjustment.

We also consider refinements in estimates due to improved capabilities resulting from administrative or actuarial system enhancements. We consider such enhancements to determine whether and to what extent they are associated with prior periods or simply improvements in the projection of future expected gross profits due to improved functionality. To the extent they represent such improvements, these items are applied to DAC, VOBA, and DRL in a manner similar to unlocking adjustments. No refinements in estimates occurred in 2024, 2023, or 2022.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following tables summarize the effects of the unlocking of assumptions on interest sensitive products in the Consolidated Statements of Comprehensive Income for the years ended December 31. Positive numbers are increases to income and negative numbers are reductions to income.

2024				
	DAC Amortization	VOBA Amortization	DRL Contract Charges	Net Impact to Pre-Tax Income
Unlocking	\$ —	\$ 598	\$ —	\$ 598
2023				
	DAC Amortization	VOBA Amortization	DRL Contract Charges	Net Impact to Pre-Tax Income
Unlocking	\$ 179	\$ 276	\$ (436)	\$ 19
2022				
	DAC Amortization	VOBA Amortization	DRL Contract Charges	Net Impact to Pre-Tax Income
Unlocking	\$ (1,744)	\$ (26)	\$ 953	\$ (817)

The adjustments in 2024 resulted from a revised outlook of interest margins. The adjustments in 2023 resulted from the true-up of reinsurance and interest assumptions as long-term outlooks and assumptions remained unchanged. The unlocking in 2022 primarily resulted from interest rate fluctuations and the impact of management actions in the various interest rate environments. While we did not record an impact to benefit and contract reserves related to the impacts of unlocking in 2024, we recorded a \$0.2 million reserve increase in 2023 and a \$1.4 million reserve decrease in 2022.

The impact to pre-tax income of all adjustments related to unlocking, including insurance revenues, amortization of DAC and VOBA, and policyholder benefits, was a \$0.6 million increase in 2024, a \$0.1 million decrease in 2023, and a \$0.6 million increase in 2022.

Pensions and Other Postemployment Benefits (OPEB)

The measurement of pension and other postemployment benefit obligations and costs depends on a variety of assumptions. Changes in the valuation of pension obligations and assets supporting this obligation can significantly impact the funded status. Assumptions are made regarding the discount rate, expected long-term rate of return on plan assets, health care claim costs, health care cost trends, retirement rates, and mortality. Generally, the discount rate, expected return on plan assets, and mortality tables have the most significant impact on the cost. The components of benefit cost are included in Operating Expenses in the Consolidated Statements of Comprehensive Income. See Note 12 - Pensions and Other Postemployment Benefits for further details.

Goodwill and Intangible Asset

We established goodwill from the acquisition of Grange Life in accordance with ASC No. 805 Business Combinations. The goodwill balance was \$42.3 million at both December 31, 2024 and December 31, 2023. Goodwill is included in Other Assets in the Consolidated Balance Sheets. Under GAAP, goodwill is assessed at least annually for impairment, rather than being amortized. As a result of our impairment assessment, we determined that goodwill was not impaired at December 31, 2024 or December 31, 2023. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value of a reporting unit is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value of a reporting unit is less than the carrying value, then goodwill is tested further for impairment. The goodwill impairment loss, if any, is measured as the amount by which the carrying amount of a reporting unit, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

The acquisition of Grange Life generated an amortizable intangible asset, which is the difference between the fair value and book value of the net reserve liabilities acquired. The intangible asset was valued at \$16.1 million at December 31, 2024 and \$16.9 million at December 31, 2023 and is included in Other Assets in the Consolidated Balance Sheets.

Kansas City Life Insurance Company

Notes to Consolidated Financial Statements – (Continued)

Separate Accounts and Guaranteed Minimum Withdrawal Benefits (GMWB)

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 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 to the Company from separate accounts are derived from directly-issued policies and contracts, as well as reinsurance assumed business. These revenues consist principally of contract charges, which include maintenance charges, administrative fees, and mortality and expense charges. See Note 7 - Separate Accounts for further details.

We offer a GMWB rider that can be added to new or existing variable annuity contracts. The rider provides an enhanced withdrawal benefit that guarantees a stream of income payments to an owner or annuitant, regardless of the contract account value. The GMWB rider is included in Other Policyholder Funds in the Consolidated Balance Sheets. The rider is considered to be a financial derivative and, as such, is accounted for at fair value. The value of the rider will fluctuate depending on market conditions, but is principally impacted by stock market volatility, interest rates, and equity market returns. The change in value could have a material impact on earnings. See Note 4 - Fair Value Measurements and Note 7 - Separate Accounts for further details.

Reinsurance

Consistent with the general practice of the life insurance industry, we enter into traditional indemnity reinsurance agreements with other insurance companies to support sales of selected new products and the in force business. We cede reinsurance in force on all of the following bases: automatic and facultative; yearly renewable term (YRT) and coinsurance; and excess and quota share basis.

Future Policy Benefits are recorded gross of reinsurance in the Consolidated Balance Sheets. A reinsurance recoverable is established for reinsurance. Reinsurance recoverables include amounts related to paid benefits and estimated amounts related to unpaid policy and contract claims, future policy benefits, and policyholder account balances. All insurance related revenues, benefits, and expenses are reported net of reinsurance ceded in the Consolidated Statements of Comprehensive Income.

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.

We acquired a block of traditional life and universal life products in 1997 through a 100% coinsurance and servicing arrangement. These assumed policies and contracts are accounted for in a manner similar to that used for direct business. We also acquired a block of variable universal life insurance policies and variable annuity contracts in 2013. We receive fees based upon both specific transactions and the fund value of the block of policies, as provided under modified coinsurance transactions. Also, as required under modified coinsurance transaction accounting, the separate account fund balances are not recorded as separate accounts on our financial statements. The coinsurance portion of the transaction, which is invested in our fixed funds, is included in Future Policy Benefits in the Consolidated Balance Sheets. We record these fixed fund accounts as a separate block under our general accounts. We receive fees on both the separate accounts and the fixed fund accounts. Effective December 31, 2020, we entered into a 100% assumption reinsurance agreement with Ibexis Life & Annuity Insurance Company, a former subsidiary, for all of its direct policyholder liabilities. Effective November 1, 2021, with the sale of Ibexis Life & Annuity Insurance Company, we recognized 100% of the future policy benefits and policyholder account balances as well as other related liabilities in the reinsurance assumption that occurred December 31, 2020. The treaty is accounted for as an assumption reinsurance agreement from an unaffiliated third party.

In 2022, we reinsured a block of fixed annuity business to a certified domestic reinsurer. We determined that this arrangement does not expose the reinsurer to a significant loss from insurance risk. Therefore, we have recognized the reinsurance arrangement 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 and totaled \$377.5 million at December 31, 2024 and \$419.4 million at December 31, 2023. 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.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

See Note 14 - Reinsurance for additional information pertaining to reinsurance.

Property and Equipment

Property and equipment are stated at cost, depreciated over estimated useful lives using the straight-line method, and are included in Other Assets in the Consolidated Balance Sheets. The home office complex is depreciated over 10 years to 50 years and furniture and equipment, including software, is depreciated over 3 years to 10 years. The following table provides information about property and equipment at December 31.

	2024	2023
Land	\$ 766	\$ 766
Home office complex	23,424	22,310
Furniture and equipment	33,231	33,070
	57,421	56,146
Accumulated depreciation	(43,950)	(42,864)
Property and equipment	<u>\$ 13,471</u>	<u>\$ 13,282</u>

Depreciation expense totaled \$1.1 million during 2024, \$1.7 million during 2023, and \$2.9 million during 2022.

Recognition of Revenues

Premiums

Premiums for traditional life insurance products are reported as revenue when due. Premiums for immediate annuities with life contingencies are reported as revenue when received. Premiums on accident and health, disability, and dental insurance are reported as earned ratably over the contract period in proportion to the amount of insurance protection provided. Premiums are reported net of reinsurance, as applicable.

Contract Charges

Contract charges consist of cost of insurance, expense loads, the amortization of unearned revenues, and surrender charges on policyholder account balances. The timing of the recognition of these revenues is determined based on the nature of the charges and fees. Policy charges for the cost of insurance and expense loads are assessed periodically and are recognized as revenue when assessed and earned. Certain policy fees that represent compensation for services to be provided in the future are reported as unearned revenue and recognized over the periods benefited. Surrender charges are determined based upon contractual terms and are recognized upon surrender of a contract. Policyholder benefits include interest amounts credited to policyholder account balances and benefit claims incurred in excess of policyholder account balances during the period.

An additional component of contract charges is the recognition over time of the DRL for certain fixed and variable universal life policies. This liability arises from front-end loads on such policies and is recognized into the Consolidated Statements of Comprehensive Income in a manner similar to the amortization of DAC. If it is determined that it is appropriate to change the assumptions of future experience, then an unlocking adjustment is recognized for the block of business being evaluated. See the Unlocking and Refinements in Estimates section above for additional information.

Deposits

Deposits related to universal life, fixed annuity contracts, and investment-type products are credited to policyholder account balances. Deposits are not recorded as revenue and are shown as a Financing Activity in the Consolidated Statements of Cash Flows. Revenues from such contracts consist of amounts assessed against policyholder account balances for mortality, policy administration, and surrender charges, and are recognized in the period in which the benefits and services are provided as Contract Charges in the Consolidated Statements of Comprehensive Income.

Revenues from Contracts with Customers

We have certain types of non-insurance and non-investment revenue from contracts with customers. These revenues are recognized when obligations under the terms of the contract are satisfied. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for those services. For these revenues, the performance obligation is fulfilled as services are rendered. These revenues equaled less than 1% of our total revenues for the years ended December 31, 2024 and December 31, 2023 and are not material to our consolidated financial statements.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return that includes Kansas City Life, Old American, Grange Life, and non-life insurance companies. Prior to 2024, Grange Life filed a separate federal income tax return.

Deferred income taxes are recorded based on the differences between the tax bases of assets and liabilities and the amounts at which they are reported in the consolidated financial statements. Recorded amounts are adjusted to reflect changes in income tax rates and other tax law provisions as they become enacted. The net deferred tax asset is included in Other Assets and the net deferred tax liability is included in Other Liabilities in the Consolidated Balance Sheets.

Deferred income tax assets are subject to ongoing evaluation of whether such assets will be realized. The ultimate realization of deferred income tax assets generally depends on the reversal of deferred tax liabilities and the generation of future taxable income and realized gains during the periods in which temporary differences become deductible. Deferred income taxes include future deductible differences relating to unrealized losses on investment securities. We evaluate the character and timing of unrealized gains and losses to determine whether future taxable amounts are sufficient to offset future deductible amounts. A valuation allowance against deferred income tax assets may be required if future taxable income of an appropriate amount and character is not expected.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

2. New Accounting Pronouncements

Accounting Pronouncements Adopted During 2024

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU No. 2023-07 Improvements to Reportable Segment Disclosures. This update requires enhanced disclosures about significant segment expenses. Public entities are required to disclose significant segment expenses and other segment items by reportable segment that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. This update also requires additional disclosure requirements, including interim disclosures. This guidance is effective for annual periods beginning on January 1, 2024 for calendar-year-end public entities, and interim periods within fiscal years beginning on January 1, 2025. We adopted this guidance on January 1, 2024. The guidance does not impact our earnings or financial position as the pronouncement only impacts disclosures. For additional information, please see Note 17 - Segment Information.

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 for long-duration contracts 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 expands the required disclosures for long-duration contracts. 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 for entities that are not Securities and Exchange Commission filers to fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025. Accordingly, our required adoption date for this guidance is January 1, 2025 and our first reporting date will be December 31, 2025. We are currently gathering data, reviewing our valuation modeling, and assessing and updating our internal controls as needed in order to implement this guidance. Further, we are also reviewing our financial reporting and related disclosures that will be presented at adoption.

In December 2023, the FASB issued ASU No. 2023-09 Improvements to Income Tax Disclosures. This update requires public business entities to disclose specific categories in the rate reconciliation and provide information for reconciling items that meet a quantitative threshold on an annual basis. The amendments in this update also require entities to disclose information regarding income taxes paid on an annual basis. Furthermore, this update requires additional disclosures and eliminates specific previously-required disclosures. This guidance is effective for annual periods beginning on January 1, 2025 for calendar-year-end public business entities. We are currently evaluating this guidance. However, it will not impact our earnings or financial position as the pronouncement only impacts disclosures.

In November 2024, the FASB issued ASU No. 2024-03 Disaggregation of Income Statement Expenses. This update requires disclosure of specified information about certain costs and expenses. Disclosures are required that provide disaggregated information about prescribed categories underlying relevant income statement expense captions. A qualitative description is required for amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. In addition, disclosure of the total amount of selling expenses and an entity's definition of selling expenses are required. This guidance is

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. We are currently evaluating this guidance. However, it will not impact our earnings or financial position as the pronouncement only impacts disclosures.

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

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

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 December 31, 2024.

	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
U.S. Treasury securities and obligations of U.S. Government	\$ 88,911	\$ 25	\$ 6,992	\$ 81,944
Federal agency issued residential mortgage-backed securities ¹	47,284	92	5,408	41,968
Subtotal	136,195	117	12,400	123,912
Corporate obligations	1,899,581	10,572	188,900	1,721,253
Municipal securities	272,927	781	24,203	249,505
Asset-backed securities and collateralized loan obligations	257,190	1,207	5,453	252,944
Redeemable preferred stocks	3,000	—	582	2,418
Total	<u>\$ 2,568,893</u>	<u>\$ 12,677</u>	<u>\$ 231,538</u>	<u>\$ 2,350,032</u>

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, 2023.

	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
U.S. Treasury securities and obligations of U.S. Government	\$ 103,181	\$ 57	\$ 6,092	\$ 97,146
Federal agency issued residential mortgage-backed securities ¹	53,337	116	4,760	48,693
Subtotal	156,518	173	10,852	145,839
Corporate obligations	1,845,224	18,705	168,289	1,695,640
Municipal securities	278,044	4,128	19,333	262,839
Asset-backed securities and collateralized loan obligations	252,615	680	7,970	245,325
Redeemable preferred stocks	3,000	—	600	2,400
Total	<u>\$ 2,535,401</u>	<u>\$ 23,686</u>	<u>\$ 207,044</u>	<u>\$ 2,352,043</u>

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

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following table provides information on fixed maturity securities available for sale by actual or equivalent Standard & Poor's rating with the percent of total fair value identified.

	December 31, 2024			December 31, 2023		
	Amortized Cost	Fair Value	% of Total	Amortized Cost	Fair Value	% of Total
AAA	\$ 235,895	\$ 225,029	10 %	\$ 227,349	\$ 220,332	9 %
AA	528,859	481,422	20 %	550,697	514,114	22 %
A	819,575	732,458	31 %	808,291	736,569	31 %
BBB	965,332	892,727	38 %	921,748	855,468	37 %
Total investment grade	2,549,661	2,331,636	99 %	2,508,085	2,326,483	99 %
BB	17,115	16,457	1 %	20,930	19,569	1 %
B and below	2,117	1,939	— %	6,386	5,991	— %
Total below investment grade	19,232	18,396	1 %	27,316	25,560	1 %
Total	<u>\$ 2,568,893</u>	<u>\$ 2,350,032</u>	<u>100 %</u>	<u>\$ 2,535,401</u>	<u>\$ 2,352,043</u>	<u>100 %</u>

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.

	December 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 106,455	\$ 106,267	\$ 80,994	\$ 80,073
Due after one year through five years	447,764	436,647	440,612	428,065
Due after five years through ten years	726,519	682,344	763,348	710,972
Due after ten years	1,181,165	1,029,711	1,134,814	1,027,362
Securities with variable principal payments	103,990	92,645	112,633	103,171
Redeemable preferred stocks	3,000	2,418	3,000	2,400
Total	<u>\$ 2,568,893</u>	<u>\$ 2,350,032</u>	<u>\$ 2,535,401</u>	<u>\$ 2,352,043</u>

Evaluation of Potential Credit Impairment

At the end of each quarter, all fixed maturity securities are reviewed to determine whether impairments exist and if so, whether they are credit-related. Securities with identified potential credit impairment are further evaluated to determine whether a full recovery is expected. If a full recovery is expected, no allowance for credit losses is recorded. If a full recovery is not expected, an allowance for credit losses equal to the identified credit impairment is recorded. This quarterly process includes an assessment of the credit quality of each investment in the entire securities portfolio. Additional reporting and review procedures are conducted for those securities where fair value is less than 90% of amortized cost. A formal review document is prepared no less often than quarterly of all investments where fair value is less than 80% of amortized cost and selected investments that have changed significantly from a previous period and that have a decline in fair value greater than 10% of amortized cost.

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 to which the fair value is less than amortized cost;
- The financial position of the issuer, including the current and future impact of any specific events, material declines or negative changes 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;

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

- Significant uncertainty regarding the issuer's industry;
- Violation of financial covenants;
- Consideration of information or evidence that supports 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 and/or issuer's industry.

There are a number of significant risks and uncertainties inherent in the process of monitoring credit losses. These include but are not limited to:

- The risk that our assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer;
- The risk that the economic outlook will be worse than expected or have more of an impact on the issuer than anticipated;
- The risk that the performance of the underlying collateral for securities could deteriorate in the future and credit enhancement levels and recovery values do not provide sufficient protection to contractual principal and interest;
- The risk that fraudulent, inaccurate, or misleading information could be provided to our credit, investment, and accounting professionals who determine the fair value estimates and accounting treatment for securities;
- The risk that actions of trustees, custodians, or other parties with interests in the security may have an unforeseen adverse impact on our investments;
- The risk that new information obtained or changes in other facts and circumstances may lead us to change our intent to sell the security before it recovers in value;
- The risk that facts and circumstances change such that it becomes more likely than not that we will be required to sell the investment before recovery of the amortized cost basis; and
- The risk that the methodology or assumptions used to develop estimates of the credit losses prove, over time, to be inaccurate or insufficient.

Any of these situations could result in a charge to income in a future period.

Once a security is determined to have met certain of the criteria for potential credit losses, 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 have the intent or ability 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 credit-related 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 Income (Loss).

After the adoption of ASU No. 2016-13 on January 1, 2023, the Company assesses current expected credit losses 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. 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.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

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 December 31, 2024.

	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	\$ 15,351	\$ 195	\$ 65,512	\$ 6,797	\$ 80,863	\$ 6,992
Federal agency issued residential mortgage-backed securities ¹	2,096	29	34,491	5,379	36,587	5,408
Subtotal	17,447	224	100,003	12,176	117,450	12,400
Corporate obligations	319,582	9,311	1,064,206	179,589	1,383,788	188,900
Municipal securities	44,402	1,561	150,677	22,642	195,079	24,203
Asset-backed securities and collateralized loan obligations	968	1	86,856	5,452	87,824	5,453
Redeemable preferred stocks	—	—	2,418	582	2,418	582
Total	<u>\$ 382,399</u>	<u>\$ 11,097</u>	<u>\$1,404,160</u>	<u>\$ 220,441</u>	<u>\$ 1,786,559</u>	<u>\$ 231,538</u>

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, 2023.

	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	\$ —	\$ —	\$ 94,944	\$ 6,092	\$ 94,944	\$ 6,092
Federal agency issued residential mortgage-backed securities ¹	99	1	43,177	4,759	43,276	4,760
Subtotal	99	1	138,121	10,851	138,220	10,852
Corporate obligations	40,657	2,448	1,227,036	165,841	1,267,693	168,289
Municipal securities	7,028	189	180,564	19,144	187,592	19,333
Asset-backed securities and collateralized loan obligations	1,896	16	149,413	7,954	151,309	7,970
Redeemable preferred stocks	—	—	2,400	600	2,400	600
Total	<u>\$ 49,680</u>	<u>\$ 2,654</u>	<u>\$1,697,534</u>	<u>\$ 204,390</u>	<u>\$ 1,747,214</u>	<u>\$ 207,044</u>

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

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following table provides information regarding the number of fixed maturity securities with unrealized losses at December 31.

	2024	2023
Below cost for less than one year	284	36
Below cost for one year or more and less than three years	984	1,105
Below cost for three years or more	338	30
Total	<u>1,606</u>	<u>1,171</u>

We do not consider the unrealized losses related to these securities to be credit-related. The unrealized losses at both December 31, 2024 and December 31, 2023 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.

The following table summarizes investments in fixed maturity securities available for sale with unrealized losses at December 31, 2024.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Unrealized losses of 10% or less	\$ 1,071,833	\$ 1,029,391	\$ 42,442
Unrealized losses of 20% or less and greater than 10%	556,516	474,007	82,509
Subtotal	<u>1,628,349</u>	<u>1,503,398</u>	<u>124,951</u>
Unrealized losses greater than 20%:			
Investment grade	389,748	283,161	106,587
Below investment grade	—	—	—
Total	<u>\$ 2,018,097</u>	<u>\$ 1,786,559</u>	<u>\$ 231,538</u>

The following table summarizes investments in fixed maturity securities available for sale with unrealized losses at December 31, 2023.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Unrealized losses of 10% or less	\$ 1,067,807	\$ 1,022,458	\$ 45,349
Unrealized losses of 20% or less and greater than 10%	606,600	516,588	90,012
Subtotal	<u>1,674,407</u>	<u>1,539,046</u>	<u>135,361</u>
Unrealized losses greater than 20%:			
Investment grade	278,851	207,402	71,449
Below investment grade	1,000	766	234
Total	<u>\$ 1,954,258</u>	<u>\$ 1,747,214</u>	<u>\$ 207,044</u>

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

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, 2024.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	\$ 108,788	6 %	\$ 12,000	5 %
AA	360,053	20 %	49,933	22 %
A	602,399	34 %	90,635	39 %
BBB	699,427	39 %	78,068	34 %
Total investment grade	1,770,667	99 %	230,636	100 %
BB	13,953	1 %	724	— %
B and below	1,939	— %	178	— %
Total below investment grade	15,892	1 %	902	— %
	<u>\$ 1,786,559</u>	<u>100 %</u>	<u>\$ 231,538</u>	<u>100 %</u>

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, 2023.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	\$ 122,309	7 %	\$ 9,604	4 %
AA	407,723	24 %	40,935	20 %
A	578,589	33 %	78,920	38 %
BBB	614,737	35 %	75,815	37 %
Total investment grade	1,723,358	99 %	205,274	99 %
BB	17,865	1 %	1,375	1 %
B and below	5,991	— %	395	— %
Total below investment grade	23,856	1 %	1,770	1 %
	<u>\$ 1,747,214</u>	<u>100 %</u>	<u>\$ 207,044</u>	<u>100 %</u>

We held no non-income producing securities at December 31, 2024 or December 31, 2023.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

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 loan obligations, and other collateralized obligations.

The following tables identify structured securities by credit ratings for all vintages owned at December 31.

2024			
	Fair Value	Amortized Cost	Unrealized Losses
Structured securities:			
Investment grade	\$ 251,200	\$ 255,263	\$ (4,063)
Below investment grade	1,744	1,927	(183)
Total structured securities	<u>\$ 252,944</u>	<u>\$ 257,190</u>	<u>\$ (4,246)</u>

2023			
	Fair Value	Amortized Cost	Unrealized Losses
Structured securities:			
Investment grade	\$ 243,564	\$ 250,561	\$ (6,997)
Below investment grade	1,761	2,054	(293)
Total structured securities	<u>\$ 245,325</u>	<u>\$ 252,615</u>	<u>\$ (7,290)</u>

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

	2024	2023
Beginning of year	\$ —	\$ —
Provision for adoption of ASU No. 2016-13	—	—
Additions for credit losses not previously recorded	—	540
Additions (reductions) for credit losses recorded in a previous period	—	(540)
End of year	<u>\$ —</u>	<u>\$ —</u>

The following table provides a reconciliation of credit losses recognized in earnings for fixed maturity securities, prior to the adoption of ASU No. 2016-13, for which a portion of the other-than-temporary impairment loss was recognized in Other Comprehensive Income (Loss) for the years ended December 31.

	2022
Credit losses on securities held at the beginning of year	\$ 3,996
Additional credit losses on securities for which an other-than-temporary impairment was recognized	34
Reductions for securities sold	(4,030)
Credit losses on securities held at the end of year	<u>\$ —</u>

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following table provides the net unrealized gains (losses) reported in Accumulated Other Comprehensive Income (Loss) on fixed maturity securities available for sale, at December 31.

	2024	2023	2022
Net unrealized gains (losses)	\$ (218,861)	\$ (183,358)	\$ (270,624)
Amounts resulting from:			
DAC, VOBA, and DRL	20,209	16,075	23,740
Deferred income taxes	41,718	35,131	51,847
Total	<u>\$ (156,934)</u>	<u>\$ (132,152)</u>	<u>\$ (195,037)</u>

Investment Revenues

The following table provides investment revenues by major category for the years ended December 31.

	2024	2023	2022
Gross investment income from invested assets:			
Fixed maturity securities	\$ 113,397	\$ 104,785	\$ 97,173
Equity securities	67	70	231
Mortgage loans	26,037	23,612	24,959
Real estate	11,605	20,384	17,426
Policy loans	5,258	5,473	5,554
Short-term investments	2,588	2,042	620
Other	3,561	1,241	1,959
Total	162,513	157,607	147,922
Less investment expenses	(12,582)	(16,427)	(15,855)
Net investment income - invested assets	149,931	141,180	132,067
Net investment income - deposit-type reinsurance ¹	14,685	16,461	21,812
Net investment income	<u>\$ 164,616</u>	<u>\$ 157,641</u>	<u>\$ 153,879</u>

¹ Includes investment income from the runoff of the block of deposit-type reinsurance business. See Note 14 - Reinsurance.

Investment Gains (Losses)

The following table provides net investment gains (losses) by major category for the years ended December 31.

	2024	2023	2022
Fixed maturity securities	\$ (5,673)	\$ (6,308)	\$ (10,591)
Equity securities	(35)	(414)	(332)
Mortgage loans	165	112	39
Real estate	(121)	63,837	656
Other investments	4,988	4,826	(6,415)
Net investment gains (losses)	<u>\$ (676)</u>	<u>\$ 62,053</u>	<u>\$ (16,643)</u>

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following table provides detail concerning investment gains and losses for the years ended December 31.

	2024	2023	2022
Gross gains resulting from:			
Sales of investment securities	\$ 160	\$ 82	\$ 2,689
Investment securities called and other	80	259	1,233
Sales of real estate	24	63,926	656
Total gross gains	<u>264</u>	<u>64,267</u>	<u>4,578</u>
Gross losses resulting from:			
Sales of investment securities	(92)	(6,337)	(14,455)
Intent-to-sell investment securities ¹	(4,821)	—	—
Investment securities called and other	(1,000)	(312)	(24)
Sales and write-downs of real estate	(145)	(89)	—
Total gross losses	<u>(6,058)</u>	<u>(6,738)</u>	<u>(14,479)</u>
Change in allowance for credit losses:			
Mortgage loans	165	112	39
Total change in allowance for credit losses	<u>165</u>	<u>112</u>	<u>39</u>
Change in fair value:			
Equity securities	(35)	(414)	(332)
Other investments	4,988	4,826	(6,415)
Total change in fair value	<u>4,953</u>	<u>4,412</u>	<u>(6,747)</u>
Net realized investment losses, excluding other-than-temporary impairment losses	<u>(676)</u>	<u>62,053</u>	<u>(16,609)</u>
Net impairment losses recognized in earnings:			
Other-than-temporary impairment losses on fixed maturity securities	—	—	—
Portion of loss recognized in other comprehensive income (loss)	—	—	(34)
Net other-than-temporary impairment losses recognized in earnings	<u>—</u>	<u>—</u>	<u>(34)</u>
Net investment gains (losses)	<u>\$ (676)</u>	<u>\$ 62,053</u>	<u>\$ (16,643)</u>

¹ The Company sold fixed maturity securities subsequent to December 31, 2024, but prior to the date the consolidated financial statements were issued. These fixed maturity securities were in an unrealized loss position, with no credit loss recognized, at the reporting date. The securities were sold in 2025 in conjunction with a legal settlement that occurred subsequent to the reporting date that resulted in a change in the Company's intent to sell the securities. For additional information, please see Note 22 - Subsequent Events.

Proceeds from Sales of Investment Securities

The following table provides proceeds from the sale of fixed maturity and equity securities, excluding maturities and calls, for the years ended December 31.

	2024	2023	2022
Proceeds	\$ 7,829	\$ 124,350	\$ 635,322

The proceeds in 2023 primarily resulted from portfolio repositioning during the year. The proceeds in 2022 largely resulted from the deposit-type reinsurance agreement.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

Mortgage Loans

Investments in mortgage loans totaled \$575.1 million at December 31, 2024, compared to \$592.3 million at December 31, 2023. 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 \$1.4 million at December 31, 2024 and \$1.6 million at December 31, 2023. Our 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. Please see Note 5 - Financing Receivables for additional information.

Commercial mortgage loans represented 18% of our total investments at both December 31, 2024 and December 31, 2023. New commercial loans, including refinanced loans, totaled \$40.4 million during 2024 and \$73.8 million during 2023. The level of new commercial mortgage loans in any year is influenced by market conditions, as we respond to changes in interest rates, available spreads, borrower demand, and opportunities to acquire loans that meet our yield and quality thresholds. The average loan balance was \$1.9 million at December 31, 2024 and \$2.1 million at December 31, 2023.

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. We added 22 new loans to the portfolio during 2024, and 80% of the total balance of these loans had some amount of recourse requirement. The average loan-to-value ratio for the overall portfolio was 45% at December 31, 2024 and 47% at December 31, 2023. This ratio is based upon the current balance of loans relative to the most current appraisal of value. Additionally, we may receive fees when borrowers prepay their mortgage loans.

The following table identifies the gross mortgage loan principal outstanding and allowance for credit losses at December 31.

	2024	2023
Principal outstanding	\$ 576,484	\$ 593,909
Allowance for credit losses	(1,416)	(1,581)
Carrying value	<u>\$ 575,068</u>	<u>592,328</u>

The following table summarizes the amount of mortgage loans at December 31, segregated by year of origination. Purchased loans are shown in the year acquired by the Company, although the individual loans may have been initially originated in prior years.

	2024	% of Total	2023	% of Total
Prior to 2016	\$ 56,920	10 %	\$ 71,734	12 %
2016	46,129	8 %	51,553	9 %
2017	34,531	6 %	51,451	9 %
2018	36,078	6 %	42,620	7 %
2019	23,201	4 %	24,056	4 %
2020	88,834	15 %	93,783	16 %
2021	95,167	17 %	100,365	17 %
2022	82,408	14 %	84,759	14 %
2023	72,992	13 %	73,588	12 %
2024	40,224	7 %	—	— %
Principal outstanding	<u>\$ 576,484</u>	<u>100 %</u>	<u>\$ 593,909</u>	<u>100 %</u>

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following table identifies mortgage loans by geographic location at December 31.

	2024	% of Total	2023	% of Total
Pacific	\$ 132,126	24 %	\$ 152,017	25 %
East north central	105,693	18 %	109,982	18 %
West south central	71,845	12 %	75,722	13 %
Mountain	67,942	12 %	68,184	11 %
West north central	63,144	11 %	62,999	11 %
South Atlantic	58,907	10 %	56,931	10 %
Middle Atlantic	37,349	6 %	34,978	6 %
East south central	29,646	5 %	22,800	4 %
New England	9,832	2 %	10,296	2 %
Principal outstanding	<u>\$ 576,484</u>	<u>100 %</u>	<u>\$ 593,909</u>	<u>100 %</u>

The following table identifies the concentration of mortgage loans by state greater than 5% of total at December 31.

	2024	% of Total	2023	% of Total
Texas	\$ 71,845	12 %	\$ 75,722	14 %
California	58,824	10 %	72,870	12 %
Oregon	57,006	10 %	60,745	10 %
Ohio	54,218	9 %	56,021	9 %
Minnesota	38,116	7 %	38,364	6 %
Florida	34,467	6 %	32,428	5 %
Arizona	32,042	6 %	30,253	5 %
All others	229,966	40 %	227,506	39 %
Principal outstanding	<u>\$ 576,484</u>	<u>100 %</u>	<u>\$ 593,909</u>	<u>100 %</u>

The following table identifies mortgage loans by property type at December 31.

	2024	% of Total	2023	% of Total
Industrial	\$ 420,671	73 %	\$ 428,201	72 %
Office	79,896	14 %	96,085	16 %
Retail	33,823	6 %	28,975	5 %
Other ¹	42,094	7 %	40,648	7 %
Principal outstanding	<u>\$ 576,484</u>	<u>100 %</u>	<u>\$ 593,909</u>	<u>100 %</u>

¹ The Other category consists principally of medical and multifamily properties.

The following table identifies the commercial mortgage portfolio by current loan balance as a percentage of the most recent appraised value at December 31.

	2024	% of Total	2023	% of Total
65% or greater	\$ 94,829	16 %	\$ 144,651	24 %
Less than 65%	481,655	84 %	449,258	76 %
Principal outstanding	<u>\$ 576,484</u>	<u>100 %</u>	<u>\$ 593,909</u>	<u>100 %</u>

We diversify our commercial mortgage loan portfolio both geographically and by property type to reduce certain risks, including local and regional physical and economic exposures. However, diversification may not always sufficiently mitigate these risks. Concentration risk exposes us to potential losses from an economic downturn, certain catastrophes, and natural

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

disasters that may affect geographic locations where we have mortgage loans. We would not expect an occurrence in any of these geographic locations to have a material adverse effect on our business, financial position, or financial statements. However, we cannot provide assurance that such risks could not have such material adverse effects.

Under the laws of certain states, environmental contamination of a property may result in a lien on the property to secure recovery of the costs of cleanup. In some states, such a lien has priority over the lien of an existing mortgage against such property. As a commercial mortgage lender, we customarily conduct environmental assessments prior to making commercial mortgage loans secured by real estate and before taking title on real estate. Based on our environmental assessments, we believe that any compliance costs associated with environmental laws and regulations or any remediation of affected properties would not have a material adverse effect on our business, financial position, or financial statements. However, we cannot provide assurance that material compliance costs will not be incurred.

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 \$0.8 million during the year ended December 31, 2024. We refinanced five loans with a total outstanding balance of \$11.8 million during the year ended December 31, 2023. None of these refinancings were the result of troubled debt restructuring. At December 31, 2024 and December 31, 2023, we did not have any loan defaults and no material contract modifications, deferrals, or forbearance agreements had been executed.

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 20 - Commitments, Regulatory Matters, Guarantees, and Indemnifications.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

Real Estate

The following table provides information concerning real estate investments by major category at December 31.

	2024	2023
Land	\$ 43,450	\$ 43,015
Buildings	87,614	87,196
Less accumulated depreciation	(42,282)	(40,863)
Real estate, commercial	88,782	89,348
Real estate, joint ventures	8,085	8,694
Total	<u>\$ 96,867</u>	<u>\$ 98,042</u>

Investment real estate is depreciated on a straight-line basis over periods ranging from three years to 60 years. In 2024, we had one real estate sale of \$0.4 million. In 2023, we closed three separate real estate sales, in which we sold real estate with a combined book value of \$43.1 million for a total of \$107.0 million and recognized a net pre-tax gain of \$63.9 million. We had real estate sales of \$0.8 million during 2022.

We had \$8.1 million in real estate joint ventures at December 31, 2024, compared with \$8.7 million at December 31, 2023. In 2023, we contributed land with a fair value and book value of \$4.7 million to a real estate joint venture.

We periodically review our real estate and real estate joint ventures for impairment and tests for recoverability whenever events or changes in circumstances indicate the carrying value may not be recoverable and exceeds its estimated fair value. For equity method investees, we consider financial and other information provided by the investee as well as other known information, including recent market activity and prospects for future activity, in determining whether an impairment has occurred. No impairments were recorded during 2024 or 2023.

We had non-income producing commercial real estate, consisting of vacant properties and properties under development, of \$34.8 million at December 31, 2024, compared to \$32.6 million at December 31, 2023. We had one non-income producing real estate joint venture at December 31, 2024, which had a carrying value of \$5.3 million. We had one non-income producing real estate joint venture at December 31, 2023, which had a carrying value of \$5.5 million.

Concentrations

We did not hold any investments in a single issuer and its affiliates that exceeded 10% of stockholders' equity at December 31, 2024 or December 31, 2023.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

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 categorize our financial assets and liabilities measured at fair value in three levels, based on the inputs and assumptions used to determine the fair value. These levels are as follows:

Level 1 - Valuations are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 - Valuations are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. Valuations are obtained from a third-party pricing service or inputs that are observable or derived principally from or corroborated by observable market data.

Level 3 - Valuations are generated from techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of discounted cash flow models, spread-based models, and similar techniques, using the best information available in the circumstances.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value but for which fair value is disclosed.

Assets

Fixed Maturity and Equity Securities

Fixed maturity securities available for sale and equity securities are recorded at fair value on a recurring basis. Fair value measurement is based upon unadjusted quoted prices, if available, except as described in the subsequent paragraphs. The fair value of investments in certain fixed maturity funds classified as Level 3 investments are calculated through internal matrices using current market conditions for similar securities.

Short-Term Investments

Short-term investments include highly-liquid investments in institutional money market funds that are carried at NAV. The carrying value of short-term investments approximates the fair value and are categorized as Level 1. Fair value is provided for disclosure purposes only.

Other Investments

Other investments include hedge positions classified as derivatives that are established in relation to the Company's indexed universal life portfolio. These positions are recorded at fair value and are classified as Level 2. Other investments also include holdings in certain mineral rights, which are valued giving consideration to the underlying holdings of the real estate interests. These investments are classified as Level 3.

Separate Accounts

The separate account assets and liabilities, which are equal, are recorded at fair value based upon NAV of the underlying investment holdings as derived from closing prices on a national exchange or as provided by the issuer. This is the value at which a policyholder could transact with the issuer on that date. Separate accounts are categorized as Level 2.

Liabilities

Investment-Type Liabilities Included in Policyholder Account Balances and Other Policyholder Funds

The fair values of supplementary contracts and annuities without life contingencies are estimated to be the present value of payments at a market yield. The fair value of deposits with no stated maturity is estimated to be the amount payable on demand at the measurement date. These liabilities are categorized as Level 3. We have not estimated the fair value of the liabilities under contracts that involve significant mortality or morbidity risks, as these liabilities fall within the definition of insurance contracts. Insurance contracts are excluded from financial instruments that require disclosures of fair value.

Reserves established in relation to the Company's hedge positions on its indexed universal life portfolio are considered to be financial derivatives and are accounted for at fair value. These reserves are classified as Level 3.

Kansas City Life Insurance Company

Notes to Consolidated Financial Statements – (Continued)

Guaranteed Minimum Withdrawal Benefits Included in Other Policyholder Funds

Fair value for GMWB rider contracts is a Level 3 valuation, because it is based on models which utilize significant unobservable inputs. These models require actuarial and financial market assumptions, which reflect the assumptions market participants would use in pricing the contract, including adjustments for volatility, risk, and issuer non-performance.

Determination of Fair Value

We utilized an external third-party pricing service at both December 31, 2024 and December 31, 2023 to determine the majority of our fair values on fixed maturity and equity securities. At December 31, 2024, approximately 79% of the carrying value of these investments was from an external pricing service, 21% was from brokers, and less than 1% was derived from internal matrices and calculations. At December 31, 2023, approximately 78% of the carrying value of these investments was from an external pricing service, 22% was from brokers, and less than 1% was derived from internal matrices and calculations. We review prices received from the external pricing service for reasonableness and unusual fluctuations, but we generally accept the price identified. In the event a price is not available from the third-party pricing service, we pursue external pricing from brokers. Generally, we pursue and utilize only one broker quote per security. In doing so, we only solicit brokers who have previously demonstrated knowledge and experience of the subject security. If a broker price is not available, we determine a fair value through various valuation techniques that may include discounted cash flows, spread-based models, or similar techniques, depending upon the specific security to be priced. These techniques are primarily applied to private placement securities. We utilize available market information, wherever possible, to identify inputs into the fair value determination, primarily prices and spreads on comparable securities.

Each quarter, we evaluate the prices received from the third-party pricing service and independent brokers to ensure that the prices represent a reasonable estimate of the fair value within the macro-economic environment, sector factors, and overall pricing trends and expectations. We corroborate and validate the pricing source through a variety of procedures that include but are not limited to: comparison to brokers, where possible; a review of third-party pricing service methodologies; back testing; in-depth specific analytics on randomly selected issues; and comparison of prices to actual trades for specific securities where observable data exists. In addition, we analyze the third-party pricing service's methodologies and related inputs and also evaluate the various types of securities in our investment portfolio to determine an appropriate fair value hierarchy. Finally, we also perform additional evaluations when individual prices fall outside tolerance levels when comparing prices received from the third-party pricing service.

Fair value measurements for assets and liabilities where limited or no observable market data exists are calculated using our own estimates and are categorized as Level 3. These estimates are based on current interest rates, credit spreads, liquidity premium or discount, the economic and competitive environment, unique characteristics of the asset or liability, and other pertinent factors. Therefore, these estimates cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Further, changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values.

Our own estimates of fair value of fixed maturity and equity securities may be derived in a number of ways, including but not limited to: 1) pricing provided by brokers, where the price indicates reliability as to value; 2) fair values of comparable securities, incorporating a spread adjustment for maturity differences, collateralization, credit quality, liquidity, and other items, if applicable; 3) discounted cash flow models and margin spreads; 4) bond yield curves; 5) observable market prices and exchange transaction information not provided by external pricing services; and 6) statement values provided to us by fund managers.

The fair value of the GMWB embedded derivative is calculated using a discounted cash flow valuation model that projects future cash flows under multiple risk neutral stochastic equity scenarios. Cash flows are discounted at the risk-free rate plus a spread for issuer discount (non-performance) risk. The risk neutral scenarios are generated using the current risk-free rate curve and projected equity volatilities and correlations. The equity correlations are based on historical price observations. For policyholder behavior assumptions, expected lapse and utilization assumptions are used and updated for actual experience. The mortality assumption is based on the 2012 Individual Annuity Mortality Table. The source for risk-free rates is the Treasury (CMT) rate curve.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

Categories Reported at Fair Value

The following tables present the fair value hierarchy for those assets and liabilities reported at fair value on a recurring basis at December 31.

	2024			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	\$ 12,148	\$ 69,796	\$ —	\$ 81,944
Federal agency issued residential mortgage-backed securities ¹	—	41,968	—	41,968
Subtotal	12,148	111,764	—	123,912
Corporate obligations	—	1,721,253	—	1,721,253
Municipal securities	—	249,505	—	249,505
Asset-backed securities and collateralized loan obligations	—	242,944	10,000	252,944
Redeemable preferred stocks	—	2,418	—	2,418
Fixed maturity securities	12,148	2,327,884	10,000	2,350,032
Equity securities	79	432	308	819
Short-term investments	64,917	—	—	64,917
Other investments	—	9,467	299	9,766
Separate account assets	—	413,426	—	413,426
Total	<u>\$ 77,144</u>	<u>\$ 2,751,209</u>	<u>\$ 10,607</u>	<u>\$ 2,838,960</u>
Percent of total	<u>3 %</u>	<u>97 %</u>	<u>— %</u>	<u>100 %</u>
Liabilities:				
Policyholder account balances:				
Indexed universal life	\$ —	\$ —	\$ 8,114	\$ 8,114
Other policyholder funds:				
Guaranteed minimum withdrawal benefits	—	—	(3,723)	(3,723)
Separate account liabilities	—	413,426	—	413,426
Total	<u>\$ —</u>	<u>\$ 413,426</u>	<u>\$ 4,391</u>	<u>\$ 417,817</u>

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

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	\$ 9,108	\$ 88,038	\$ —	\$ 97,146
Federal agency issued residential mortgage-backed securities ¹	—	48,693	—	48,693
Subtotal	9,108	136,731	—	145,839
Corporate obligations	—	1,695,640	—	1,695,640
Municipal securities	—	262,839	—	262,839
Asset-backed securities and collateralized loan obligations	—	235,325	10,000	245,325
Redeemable preferred stocks	—	2,400	—	2,400
Fixed maturity securities	9,108	2,332,935	10,000	2,352,043
Equity securities	146	446	253	845
Short-term investments	91,569	—	—	91,569
Other investments	—	9,009	308	9,317
Separate account assets	—	395,946	—	395,946
Total	<u>\$ 100,823</u>	<u>\$ 2,738,336</u>	<u>\$ 10,561</u>	<u>\$ 2,849,720</u>
Percent of total	<u>4 %</u>	<u>96 %</u>	<u>— %</u>	<u>100 %</u>
Liabilities:				
Policyholder account balances:				
Indexed universal life	\$ —	\$ —	\$ 7,634	\$ 7,634
Other policyholder funds:				
Guaranteed minimum withdrawal benefits	—	—	(2,992)	(2,992)
Separate account liabilities	—	395,946	—	395,946
Total	<u>\$ —</u>	<u>\$ 395,946</u>	<u>\$ 4,642</u>	<u>\$ 400,588</u>

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

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended December 31 are summarized below.

	2024		
	Assets	Liabilities	
	Fixed Maturity Securities, Equity Securities, and Other Investments	Indexed Universal Life	Guaranteed Minimum Withdrawal Benefits
Beginning balance	\$ 10,561	\$ 7,634	\$ (2,992)
Included in earnings	46	480	(1,239)
Included in other comprehensive income (loss)	—	—	—
Purchases, issuances, sales and other dispositions:			
Purchases	—	—	—
Issuances	—	—	8
Sales	—	—	—
Other dispositions	—	—	500
Transfers out of Level 3	—	—	—
Ending balance	<u>\$ 10,607</u>	<u>\$ 8,114</u>	<u>\$ (3,723)</u>

	2023		
	Assets	Liabilities	
	Fixed Maturity Securities, Equity Securities, and Other Investments	Indexed Universal Life	Guaranteed Minimum Withdrawal Benefits
Beginning balance	\$ 778	\$ 2,802	\$ (2,849)
Included in earnings	(217)	4,832	178
Included in other comprehensive income (loss)	—	—	—
Purchases, issuances, sales and other dispositions:			
Purchases	10,000	—	—
Issuances	—	—	46
Sales	—	—	—
Other dispositions	—	—	(367)
Transfers out of Level 3	—	—	—
Ending balance	<u>\$ 10,561</u>	<u>\$ 7,634</u>	<u>\$ (2,992)</u>

We did not have any transfers between any levels during the years ended December 31, 2024 or December 31, 2023.

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.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following table presents the valuation method for the GMWB liability categorized as Level 3, as well as the unobservable inputs used in the valuation of those financial instruments at December 31, 2024.

	Fair Value	Valuation Technique	Unobservable Inputs	Range
Embedded Derivative - GMWB	\$ (3,723)	Actuarial cash flow model	Mortality	85% of the 2012 IAR Table
			Lapse	0%-12% depending on product/duration/funded status of guarantee
			Benefit Utilization	0%-80% depending on age/duration/funded status of guarantee
			Nonperformance Risk	0.44%-0.91%

The following table presents the valuation method for the GMWB liability categorized as Level 3, as well as the unobservable inputs used in the valuation of those financial instruments at December 31, 2023.

	Fair Value	Valuation Technique	Unobservable Inputs	Range
Embedded Derivative - GMWB	\$ (2,992)	Actuarial cash flow model	Mortality	85% of the 2012 IAR Table
			Lapse	0%-12% depending on product/duration/funded status of guarantee
			Benefit Utilization	0%-80% depending on age/duration/funded status of guarantee
			Nonperformance Risk	0.47%-1.05%

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.

Following are estimates of the impact from changes in unobservable inputs on the GMWB liability at December 31.

	2024	2023
	Increase/(Decrease)	
	in millions	
A 10% increase in the mortality assumption	\$ —	\$ —
A 10% decrease in the lapse assumption	(0.1)	(0.1)
A 10% increase in the benefit utilization	0.2	0.3
A 10 basis point increase in the credit spreads used for non-performance	(0.1)	(0.1)

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

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 at December 31. 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.

2024					
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Mortgage loans	\$ —	\$ —	\$ 531,008	\$ 531,008	\$ 575,068
Policy loans	—	—	84,913	84,913	84,913
Other investments	—	7,625	—	7,625	7,625
Liabilities:					
Individual and group annuities	—	—	1,020,099	1,020,099	1,037,019
Supplementary contracts and annuities without life contingencies	—	—	47,263	47,263	50,915
Policyholder account balances:					
Funding agreements	—	120,835	—	120,835	120,835

2023					
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Mortgage loans	\$ —	\$ —	\$ 551,387	\$ 551,387	\$ 592,328
Policy loans	—	—	84,025	84,025	84,025
Other investments	—	6,671	—	6,671	6,671
Liabilities:					
Individual and group annuities	—	—	1,050,117	1,050,117	1,066,702
Supplementary contracts and annuities without life contingencies	—	—	52,117	52,117	56,026
Policyholder account balances:					
Funding agreements	—	101,092	—	101,092	101,092

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

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 at December 31.

	2024	2023
Agent receivables, net (allowance for credit losses: 2024 - \$274; 2023 - \$192)	\$ 1,904	\$ 1,662
Investment-related financing receivables:		
Mortgage loans, net (allowance for credit losses: 2024 - \$1,416; 2023 - \$1,581)	575,068	592,328
Total financing receivables	<u>\$ 576,972</u>	<u>\$ 593,990</u>

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. 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 at December 31.

	2024			2023		
	Gross Receivables	Allowance for Credit Losses	Net Receivables	Gross Receivables	Allowance for Credit Losses	Net Receivables
Agent specific loans	\$ 461	\$ 159	\$ 302	\$ 491	\$ 144	\$ 347
Other agent receivables	1,717	115	1,602	1,363	48	1,315
Total	<u>\$ 2,178</u>	<u>\$ 274</u>	<u>\$ 1,904</u>	<u>\$ 1,854</u>	<u>\$ 192</u>	<u>\$ 1,662</u>

The following table provides a rollforward of the allowance for credit losses for agent receivables at December 31. 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.

	2024	2023
Beginning of year	\$ 192	\$ 198
Additions for credit losses not previously recorded	22	—
Additions (reductions) for credit losses recorded in a previous period	60	(6)
End of year	<u>\$ 274</u>	<u>\$ 192</u>

The following table details the activity within the allowance for doubtful accounts on agent receivables at December 31. Any recoveries are included as deductions.

	2022
Beginning of year	\$ 912
Additions	261
Deductions	(975)
End of year	<u>\$ 198</u>

Mortgage Loans

We classify our mortgage loan portfolio as long-term financing receivables. Mortgage loans are stated at cost, adjusted for amortization of premium and accretion of discount, less an allowance for credit losses. Mortgage loan interest income is recognized on an accrual basis with any premium or discount amortized over the life of the loan. Prepayment and late fees are recorded on the date of collection. Loans in foreclosure, loans considered impaired, or loans past due 90 days or more are

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

placed on non-accrual status. Payments received on loans on non-accrual status for these reasons are applied first to interest income not collected while on non-accrual status, followed by fees, accrued and past-due interest, and principal.

If a mortgage loan is placed on non-accrual status, we do not accrue interest income in the financial statements. The loan is independently monitored and evaluated as to potential impairment or foreclosure. This evaluation includes assessing the probability of receiving future cash flows, along with consideration of many of the factors described below. If delinquent payments are made and the loan is brought current, then we return the loan to active status and accrue income accordingly.

The following table details the mortgage loan portfolio as collectively or individually evaluated for impairment at December 31.

	2024	2023
Mortgage loans collectively evaluated for impairment	\$ 576,484	\$ 593,909
Mortgage loans individually evaluated for impairment	—	—
Allowance for credit losses	(1,416)	(1,581)
Carrying value	<u>\$ 575,068</u>	<u>\$ 592,328</u>

Generally, we consider our mortgage loans to be a portfolio segment. We consider our primary class to be property type. We primarily use loan-to-value as our credit risk quality indicator but also monitor additional secondary risk factors, such as geographic distribution both on a regional and specific state basis. The mortgage loan portfolio segment is presented by property type in a table in Note 3 - Investments, as are geographic distributions by both region and state. These measures are also supplemented with various other analytics to provide additional information concerning potential impairment of mortgage loans and management's assessment of financing receivables.

There were no mortgage loans that were past due or in nonaccrual status at December 31, 2024 or December 31, 2023.

We had no troubled debt restructurings during 2024 or 2023.

Effective January 1, 2023, the Company adopted ASU No. 2016-13, which revised 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, after the adoption of ASU No. 2016-13 at December 31.

	2024	2023
Beginning of year	\$ 1,581	\$ 2,753
Provision for adoption of ASU No. 2016-13	—	(1,060)
Additions for credit losses not previously recorded	138	206
Additions (reductions) for credit losses recorded in a previous period	(303)	(318)
End of year	<u>\$ 1,416</u>	<u>\$ 1,581</u>

The following table details the activity within the allowance for mortgage loan losses, prior to the adoption of ASU No. 2016-13 at December 31. The provision reflected new loans and maturities and the deductions reflected payments on loans and recoveries received.

	2022
Beginning of year	\$ 2,792
Provision	387
Deductions	(426)
End of year	<u>\$ 2,753</u>

Kansas City Life Insurance Company

Notes to Consolidated Financial Statements – (Continued)

The allowance for credit losses is monitored and evaluated at multiple levels with a process that includes, but is not limited to, the factors presented below. Generally, we establish the allowance for credit losses using the collectively evaluated impairment methodology at an overall portfolio level and then specifically identify an allowance for credit losses on loans that contain elevated risk profiles. If we determine through our evaluation that a loan has an elevated specific risk profile, we then individually assess the loan's risk profile and may assign a specific allowance value based on many factors, including those identified below.

Macro-environmental and elevated risk profile considerations:

- Current industry conditions that are affecting the market, including rental and vacancy rates;
- Perceived market liquidity;
- Analysis of the markets and sub-markets in which we have mortgage loans;
- Analysis of industry historical loss and delinquency experience;
- Other factors that we may perceive as important or critical given our portfolio; and
- Analysis of our loan portfolio based on loan size concentrations, geographic concentrations, property type concentrations, maturity concentrations, origination loan-to-value concentrations, and borrower concentrations.

Specific mortgage loan level considerations:

- The payment history of each borrower;
- Negative reports from property inspectors; and
- Each loan's property financial statement including net operating income, debt service coverage, and occupancy level.

We have not acquired any mortgage loans with deteriorated credit quality during the years presented.

As part of our process of monitoring impairments on loans, there are a number of significant risks and uncertainties inherent in this process. These risks include, but are not limited to:

- The risk that our assessment of a borrower's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of the borrower or property;
- The risk that the economic outlook will be worse than expected or have more of an impact on the borrower than anticipated;
- The risk that the performance of the underlying property could deteriorate in the future;
- The risk that fraudulent, inaccurate, or misleading information could be provided to us;
- The risk that the methodology or assumptions used to develop estimates of the portion of the impairment of the loan prove over time to be inaccurate; and
- The risk that other facts and circumstances change such that it becomes more likely than not that we will not obtain all of the contractual payments.

To the extent our review and evaluation determines a loan is impaired, that amount is charged to the allowance for credit losses and the loan balance is reduced. In the event that a property is foreclosed, the carrying value is recorded at fair value, less costs to sell the property at the time of foreclosure, with a charge to the allowance and a corresponding reduction to the mortgage loan asset. The property is then transferred to real estate where we have the ability and intent to manage these properties on an ongoing basis.

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 alternative investment funds that are also classified as VIEs. These VIEs are included in Other Investments in the Consolidated Balance Sheets.

The assets held in affordable housing real estate joint venture VIEs are primarily residential real estate properties that are restricted to provide affordable housing under federal or state programs for varying periods of time. The restrictions primarily apply to the rents that may be paid by tenants residing in the properties during the term of an agreement to remain in the affordable housing program. Investments in these joint ventures are equity interests in partnerships or limited liability companies that may or may not participate in profits or residual value. Our investments in these entities generate a return primarily through the realization of federal and state income tax credits and other tax benefits, such as tax deductions from operating losses of the investments, over specified time periods. We amortize the initial cost of affordable housing VIE investments in proportion to the tax credits and other tax benefits received and recognize the net investment performance in the

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

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 affordable housing VIE investments that generate tax credits and related amortization for the years ended December 31.

	2024	2023	2022
Federal income tax credits realized	\$ —	\$ —	\$ 405
Amortization	65	125	193

Our investments in other real estate VIEs and alternative investment fund VIEs are recorded using the equity method. Cash distributions from the VIEs and cash contributions to the VIEs are recorded as decreases or increases, respectively, in the carrying value of the VIE. Certain other equity investments in VIEs, where permitted, are recorded on an amortized cost basis. The operating performance of investments in the VIE is recorded in the Consolidated Statements of Comprehensive Income as investment income or as a component of Income Tax Expense, depending upon the nature and primary design of the investment. We evaluate the carrying value of VIEs for impairment on an ongoing basis to assess whether the carrying value is expected to be realized during the anticipated life of the investment. No impairments were recorded during the years ended December 31, 2024, December 31, 2023, or December 31, 2022.

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. We consider many factors when making this determination based upon a review of the underlying investment agreement and other information related to the specific investment. The first factor is whether we have the ability to direct the activities of a VIE that most significantly impact the VIE's economic performance. The power to direct the activities of the VIE is generally vested in the managing general partner or managing member of the VIE, which is not the position held by us in these investments. Other factors include the entity's equity investment at risk, decision-making abilities, obligations to absorb economic risks, the right to receive economic rewards of the entity, and the extent to which we share in the VIE's expected losses and residual returns.

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 December 31, 2024 and December 31, 2023. The table includes investments in three real estate joint ventures, four affordable housing real estate joint ventures, and eight alternative investment funds at December 31, 2024. The table includes investments in two real estate joint ventures, five affordable housing real estate joint ventures, and five alternative investment funds at December 31, 2023.

	2024		2023	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate joint ventures	\$ 6,814	\$ 20,010	\$ 7,213	\$ 14,771
Affordable housing real estate joint ventures	1,271	2,769	1,481	6,243
Alternative investment funds	47,973	102,879	24,824	68,304
Total	<u>\$ 56,058</u>	<u>\$ 125,658</u>	<u>\$ 33,518</u>	<u>\$ 89,318</u>

The maximum exposure to loss relating to the real estate joint ventures, affordable housing real estate joint ventures, and alternative investment funds 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.

The maximum exposure to loss on affordable housing joint ventures included \$1.5 million of losses which could be realized if the tax credits received by the VIEs were recaptured at December 31, 2024, compared to \$4.8 million at December 31, 2023. 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

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

contracts, or changes in the residual value accruing to our interests in the VIE may mitigate the potential exposure due to recapture. We did not have any recapture events during 2024 or 2023.

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 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.

The total separate account assets were \$413.4 million at December 31, 2024 and \$395.9 million at December 31, 2023. Variable universal life and variable annuity assets comprised 36% and 64% of total separate account assets in 2024, compared to 34% and 66% of the total in 2023.

The following table provides a reconciliation of activity within separate account liabilities at December 31.

	2024	2023
Balance at beginning of year	\$ 395,946	\$ 381,581
Deposits on variable policyholder contracts	16,039	15,672
Transfers from (to) general account	853	(1,921)
Investment performance	62,823	63,093
Policyholder benefits and withdrawals	(50,663)	(50,759)
Contract charges	(11,572)	(11,720)
Balance at end of year	<u>\$ 413,426</u>	<u>\$ 395,946</u>

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 \$80.8 million at December 31, 2024. The fair value of the separate accounts with the GMWB rider was \$86.4 million at December 31, 2023. The GMWB guarantee liability was \$(3.7) million at December 31, 2024 and \$(3.0) million at December 31, 2023. 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 \$413.4 million at December 31, 2024 and \$395.9 million at December 31, 2023, and corresponding Separate Account Liabilities of equal amounts. 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 \$0.1 million at both December 31, 2024 and December 31, 2023.

In addition, we have an assumed closed block of variable universal life and variable annuity business that totaled \$361.7 million at December 31, 2024 and \$347.6 million at December 31, 2023. 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 \$33.5 million at December 31, 2024 and \$34.4 million at December 31, 2023 are included in our general account as policyholder account balances. The future policy benefits for the assumed block approximated \$0.5 million at both December 31, 2024 and December 31, 2023.

Guarantees are offered under variable universal life and variable annuity contracts: a guaranteed minimum death benefit (GMDB) rider is available on certain variable universal life contracts and on all variable annuities. The GMDB rider for variable universal life contracts guarantees the death benefit for specified periods of time, regardless of investment performance, provided cumulative premium requirements are met. The GMDB rider for variable annuity contracts guarantees the death benefit for specified periods of time, regardless of investment performance.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

Separate account balances for variable annuity contracts were \$266.0 million at December 31, 2024 and \$259.9 million at December 31, 2023. The total reserve held for variable annuity GMDB was \$0.1 million at both December 31, 2024 and December 31, 2023. Additional information related to the GMDB and related separate account balances and net amount at risk (the amount by which the GMDB exceeds the account balance) as of December 31, 2024 and 2023 is provided below.

	2024			2023		
	Separate Account Balance	Net Amount at Risk	Weighted Average Attained Age	Separate Account Balance	Net Amount at Risk	Weighted Average Attained Age
Return of net deposits	\$ 197,552	\$ 82	65.4	\$ 198,319	\$ 613	64.5
Return of the greater of the highest anniversary contract value or net deposits	9,280	30	71.8	8,405	328	73.7
Return of the greater of every fifth year highest anniversary contract value or net deposits	4,426	2	70.4	4,295	13	69.8
Return of the greater of net deposits accumulated annually at 5% or the highest anniversary contract value	54,771	2,087	67.1	48,926	4,584	66.4
Total	<u>\$ 266,029</u>	<u>\$ 2,201</u>	<u>66.1</u>	<u>\$ 259,945</u>	<u>\$ 5,538</u>	<u>65.3</u>

The following table presents the aggregate fair value of assets by major investment asset category supporting the variable annuity separate accounts with guaranteed benefits at December 31.

	2024	2023
Money market	\$ 1,289	\$ 1,454
Fixed income	11,729	11,182
Balanced	68,113	69,086
International equity	15,443	15,650
Intermediate equity	139,963	134,317
Aggressive equity	29,492	28,256
Total	<u>\$ 266,029</u>	<u>\$ 259,945</u>

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

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 year presented.

The following tables present activity in the accident and health portion of the unpaid claims liability by segment for the years ended December 31. 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.

	2024			
	Individual Insurance	Group Insurance	Old American	Consolidated
Gross liability at beginning of year	\$ 562	\$ 31,707	\$ 1,929	\$ 34,198
Less reinsurance recoverable	(394)	(22,673)	(1,899)	(24,966)
Net liability at beginning of year	168	9,034	30	9,232
Incurred benefits related to:				
Current year	215	32,717	42	32,974
Prior years ¹	(23)	(722)	(22)	(767)
Total incurred benefits	192	31,995	20	32,207
Paid benefits related to:				
Current year	201	27,127	17	27,345
Prior years	37	4,496	8	4,541
Total paid benefits	238	31,623	25	31,886
Net liability at end of year	122	9,406	25	9,553
Reinsurance recoverable	287	22,255	1,656	24,198
Gross liability at end of year	\$ 409	\$ 31,661	\$ 1,681	\$ 33,751

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

	2023			
	Individual Insurance	Group Insurance	Old American	Consolidated
Gross liability at beginning of year	\$ 560	\$ 27,777	\$ 2,199	\$ 30,536
Less reinsurance recoverable	(399)	(20,006)	(2,169)	(22,574)
Net liability at beginning of year	161	7,771	30	7,962
Incurred benefits related to:				
Current year	16	28,782	32	28,830
Prior years ¹	(10)	1,216	(24)	1,182
Total incurred benefits	6	29,998	8	30,012
Paid benefits related to:				
Current year	1	23,366	2	23,369
Prior years	(2)	5,369	6	5,373
Total paid benefits	(1)	28,735	8	28,742
Net liability at end of year	168	9,034	30	9,232
Reinsurance recoverable	394	22,673	1,899	24,966
Gross liability at end of year	\$ 562	\$ 31,707	\$ 1,929	\$ 34,198

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

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

	2022			
	Individual Insurance	Group Insurance	Old American	Consolidated
Gross liability at beginning of year	\$ 669	\$ 30,670	\$ 2,293	\$ 33,632
Less reinsurance recoverable	(353)	(21,991)	(2,263)	(24,607)
Net liability at beginning of year	316	8,679	30	9,025
Incurred benefits related to:				
Current year	18	27,792	34	27,844
Prior years ¹	(99)	(805)	(20)	(924)
Total incurred benefits	(81)	26,987	14	26,920
Paid benefits related to:				
Current year	3	23,125	4	23,132
Prior years	71	4,770	10	4,851
Total paid benefits	74	27,895	14	27,983
Net liability at end of year	161	7,771	30	7,962
Reinsurance recoverable	399	20,006	2,169	22,574
Gross liability at end of year	\$ 560	\$ 27,777	\$ 2,199	\$ 30,536

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 at December 31.

	2024	2023	2022
Individual Insurance Segment:			
Individual accident and health	\$ 409	\$ 562	\$ 560
Individual life	32,273	36,385	32,966
Deferred annuity	2,918	4,079	2,936
Subtotal	35,600	41,026	36,462
Group Insurance Segment:			
Group accident and health	31,661	31,707	27,777
Group life	3,777	2,475	3,453
Subtotal	35,438	34,182	31,230
Old American Segment:			
Individual accident and health	1,681	1,929	2,199
Individual life	9,108	8,364	10,141
Subtotal	10,789	10,293	12,340
Total	\$ 81,827	\$ 85,501	\$ 80,032

For short-duration contracts, IBNR 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 both December 31, 2024 and December 31, 2023. These liabilities were calculated by the reinsurers of the various blocks of group long-term disability business, using percent of premium methodologies with varying factors. Claim frequencies were calculated for the long-term disability product using information that includes paid and pending claims at the claimant level. Thus, frequency is measured by individual claimant. Claims that are counted in a particular year as a liability but do not result in a liability in future years are not included once the claim is settled. There have been no significant changes to the methodologies for calculating claim frequencies, incurred-but-not-reported liabilities, or any other unpaid claims liabilities for the long-term disability product during the years presented.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The liabilities in the following table for group long-term disability claims involve present value of future benefits calculations. The carrying amount of liabilities at December 31, 2024 was \$5.3 million, consisting of an undiscounted amount of \$6.6 million and an aggregated discount amount deducted of \$1.3 million. Discount rates ranged from 2.60% to 6.60% for the various blocks of group long-term disability business included in the totals.

The following table provides incurred claims and allocated claim adjustment expenses, net of reinsurance, for the group long-term disability product at December 31, 2024. The information about incurred claims development for the years ended December 31, 2015 to December 31, 2023 is presented as unaudited supplementary information.

Year Incurred	For the Years Ended December 31,										Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		
2015	\$ 989	\$ 918	\$ 701	\$ 697	\$ 643	\$ 646	\$ 641	\$ 644	\$ 646	\$ 647	\$ —	230
2016		1,694	1,552	1,382	1,412	1,284	962	947	967	968	—	246
2017			2,038	1,727	1,513	1,436	1,431	1,369	1,410	1,388	—	261
2018				2,473	2,192	2,135	1,745	1,620	1,837	1,687	—	298
2019					2,056	2,036	1,879	1,778	1,870	1,887	—	333
2020						1,483	1,094	936	972	967	—	201
2021							1,873	1,496	1,359	1,230	—	228
2022								1,609	1,616	1,381	—	203
2023									2,291	2,184	—	224
2024										1,861	651	132
										<u>\$14,200</u>		

The following table provides cumulative paid claims and allocated claim adjustment expenses, net of reinsurance, for the group long-term disability product at December 31, 2024. The information about paid claims development for the years ended December 31, 2015 to December 31, 2023 is presented as unaudited supplementary information.

Year Incurred	For the Years Ended December 31,										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
2015	\$ 100	\$ 390	\$ 491	\$ 531	\$ 545	\$ 561	\$ 573	\$ 584	\$ 594	\$ 603	
2016		164	505	626	690	736	783	804	828	837	
2017			162	549	703	785	867	926	976	1,021	
2018				208	681	869	1,012	1,108	1,189	1,237	
2019					251	752	980	1,108	1,200	1,302	
2020						162	469	604	660	703	
2021							237	706	846	865	
2022								177	640	781	
2023									259	805	
2024										180	
									Total	\$ 8,334	
									All outstanding liabilities before 2015, net of reinsurance	\$ 803	
									Liabilities for claims and claim adjustment expenses, net of reinsurance	<u>\$ 6,669</u>	

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following table provides a reconciliation of incurred and paid claims development information to the aggregate carrying amount of the liability for unpaid claims and claim adjustment expenses at December 31. Included in other short-duration contracts are group life, group short-term disability, group dental, group vision, and individual accident and health for the Individual Insurance and Old American segments, none of which are individually significant.

	2024	2023
Net outstanding liabilities:		
Group long-term disability	\$ 6,669	\$ 7,507
Other short-duration contracts	6,865	6,019
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	13,534	13,526
Reinsurance recoverable on unpaid claims:		
Group long-term disability	27,602	30,510
Other short-duration contracts	3,161	2,736
Total reinsurance recoverable on unpaid claims	30,763	33,246
Insurance lines other than short-duration	44,304	48,834
Impact of discounting	(6,774)	(10,105)
	37,530	38,729
Total gross liability for unpaid claims and claim adjustment expenses	<u>\$ 81,827</u>	<u>\$ 85,501</u>

The following table provides the historical average annual percentage payout of incurred claims by age, net of reinsurance, at December 31, 2024.

	Years				
	1	2	3	4	5
Group long-term disability	14.00 %	32.30 %	12.20 %	5.90 %	4.60 %

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

9. Participating Policies

We have insurance contracts where the policyholder is entitled to share in the earnings through dividends, which reflect the difference between the premium charged and the actual experience. These insurance contracts were directly issued by the Company or were acquired through the purchase of participating blocks of business, largely through reinsurance assumption transactions. Participating business approximated 6% of total statutory premiums in both 2024 and 2023. Assumed participating business from the acquisition of closed blocks of business accounted for 87% of total participating statutory premiums in 2024 and 93% in 2023. Participating business equaled 4% of total life insurance in force at both December 31, 2024 and December 31, 2023. Assumed participating business accounted for 97% of total participating life insurance in force at both December 31, 2024 and December 31, 2023.

The amount of dividends to be paid is determined annually by our Board of Directors. Provision has been made in the liability for future policy benefits to allocate amounts to participating policyholders on the basis of dividend scales contemplated at the time the policies were issued, as well as for policyholder dividends having been declared by the Board of Directors in excess of the original scale.

10. Debt

Notes Payable

We had no notes payable outstanding at December 31, 2024 or December 31, 2023.

We had unsecured revolving lines of credit with two major commercial banks that totaled \$80.0 million at both December 31, 2024 and December 31, 2023, with no balances outstanding. The lines of credit are at variable interest rates based upon short-term indices maturing in June of 2025. 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 2024 or 2023 and had no outstanding borrowings as of December 31, 2024 or December 31, 2023. 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 FHLB, we have the ability to borrow on a collateralized basis from the FHLB. Through this membership, we have a specific borrowing capacity based upon the amount of collateral we establish. At December 31, 2024, collateral comprised primarily of securities and mortgages in the amount of \$356.6 million, with a fair value of \$321.3 million, were pledged to the FHLB, providing a borrowing capacity of \$257.4 million. At December 31, 2023, collateral comprised primarily of securities and mortgages in the amount of \$324.2 million, with a fair value of \$286.6 million, were pledged to the FHLB, providing a borrowing capacity of \$224.2 million. The interest rates are variable and are set by the FHLB at the time of the advance. The Company's capital investment in the FHLB totaled \$7.6 million at December 31, 2024 and \$6.7 million at December 31, 2023 and is included in Other Investments in the Consolidated Balance Sheets. Dividends received on this capital investment totaled \$0.6 million for the year ended December 31, 2024, \$0.5 million for the year ended December 31, 2023, and \$0.3 million for the year ended December 31, 2022.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

Funding Agreements

The Company has advance funding agreements with the FHLB. Under the agreements, the Company pledges collateral in the form of fixed maturity securities and commercial mortgage loans 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. During the third quarter of 2024, we increased our maximum participation level to \$140.0 million with this program. At December 31, 2023, our maximum participation level was \$100.0 million with this program. These agreements mature between 2026 and 2029, and are reported as Policyholder Account Balances in the Consolidated Balance Sheets. Interest is credited based on variable rates set by the FHLB.

The following table provides information regarding our funding agreements with the FHLB at December 31.

	2024	2023
Total obligations outstanding	\$ 120,000	\$ 100,000
Accrued interest	835	1,092

The following table provides information regarding our funding agreements with the FHLB for the years ended December 31.

	2024	2023	2022
Interest credited	\$ 6,208	\$ 5,777	\$ 2,050
Cash interest payments	6,464	5,299	1,459
Interest income on the variable rate fixed maturity securities	8,139	7,150	3,099

11. Income Taxes

The following table provides information about income taxes for the years ended December 31.

	2024	2023	2022
Current income tax expense	\$ 7,229	\$ 20,479	\$ 2,496
Deferred income tax benefit	(8,590)	(6,089)	(7,035)
Total income tax expense (benefit)	<u>\$ (1,361)</u>	<u>\$ 14,390</u>	<u>\$ (4,539)</u>

The following table provides information about taxes paid for the years ended December 31.

	2024	2023	2022
Cash paid for income taxes	\$ 19,382	\$ 9,519	\$ 2,766

The following table provides a reconciliation of the federal income tax rate to our effective income tax rate for the years ended December 31.

	2024	2023	2022
Federal income tax rate	21 %	21 %	21 %
Tax credits, net of equity adjustment	6 %	— %	2 %
Permanent differences and other	(5)%	— %	(1)%
Effective income tax rate	<u>22 %</u>	<u>21 %</u>	<u>22 %</u>

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

Presented below are tax effects of temporary differences that result in significant deferred tax assets and liabilities at December 31.

	2024	2023
Deferred tax assets:		
Future policy benefits	\$ 16,173	\$ 17,485
Unrealized investment losses	45,961	38,505
Employee retirement benefits	919	3,737
Tax carryovers	39	75
Legal reserve	10,396	5,956
Other	7,594	6,708
Deferred tax assets	81,082	72,466
Valuation allowance	—	(37)
Deferred tax assets, net of valuation allowance	81,082	72,429
Deferred tax liabilities:		
Basis differences between tax and		
GAAP accounting for investments	(2,413)	(2,160)
Capitalization of DAC, net of amortization	(25,456)	(29,710)
VOBA	(2,937)	(2,881)
Property and equipment	(1,378)	(2,028)
Deferred tax liabilities	(32,184)	(36,779)
Net deferred tax asset	48,898	35,650
Current tax asset (liability)	334	(11,883)
Income taxes receivable	<u>\$ 49,232</u>	<u>\$ 23,767</u>

A valuation allowance must be established for any portion of the deferred tax asset which is believed not to be realizable. Management reviews the need for a valuation allowance based on our anticipated future earnings, reversal of future taxable differences, the available carry-back and carryforward periods, and tax planning strategies that are prudent and feasible. In management's opinion, it is more likely than not that we will realize the benefit of our deferred taxes.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. In general, we are no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years prior to 2021. We are not currently under examination by the Internal Revenue Service (IRS).

The Inflation Reduction Act, which was enacted on August 16, 2022, includes a new corporate alternative minimum tax (CAMT). This Act went into effect for tax years beginning after December 31, 2022. The Company has determined that it does not expect to be subject to the CAMT in 2024 was not subject to the CAMT in 2023.

Our policy is to recognize interest and penalties accrued related to unrecognized tax benefits in Income Tax Expense (Benefit) in the Consolidated Statements of Comprehensive Income. The Company recognized no tax benefit related to tax penalty and interest expense in 2024, 2023, or 2022.

We had no material uncertain tax positions at December 31, 2024 or December 31, 2023.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

Income tax expense (benefit) is recorded in various places in our financial statements, as detailed below, for the years ended December 31.

	2024	2023	2022
Income tax expense (benefit)	\$ (1,361)	\$ 14,390	\$ (4,539)
Stockholders' equity:			
Related to:			
Change in net unrealized gains (losses) on securities available for sale	(7,455)	18,326	(97,428)
Effect on DAC, VOBA, and DRL	868	(1,610)	8,330
Change in policyholder liabilities	—	—	7,112
Change in benefit plan obligations	1,930	1,553	(1,970)
Cumulative effect of adoption of new accounting principle	—	(150)	—
Total income tax expense (benefit) included in financial statements	<u>\$ (6,018)</u>	<u>\$ 32,509</u>	<u>\$ (88,495)</u>

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

12. Pensions and Other Postemployment Benefits

We have pension and other postemployment benefit plans covering substantially all of our employees for which the annual measurement date is December 31.

The Kansas City Life Cash Balance Pension Plan (pension plan) was amended effective December 31, 2010 to provide that participants' accrued benefits were frozen, and that no further benefits or accruals were earned after December 31, 2010. Although participants no longer accrue additional benefits under the pension plan at December 31, 2010, participants continue to earn years of service for vesting purposes under the pension plan with respect to their benefits accrued through December 31, 2010. In addition, the cash balance account continues to earn annual interest. Pension plan benefits are based on a cash balance account consisting of credits to the account based upon an employee's years of service, compensation and interest credits on account balances calculated using the greater of the average 30-year U.S. Treasury bond rate for November of each year or 5.00%. Annual interest was calculated using 5.00% for both 2024 and 2023.

The benefits expected to be paid in each year from 2025 through 2029 are as follows: \$9.4 million in 2025; \$7.4 million in 2026; \$7.4 million in 2027; \$8.1 million in 2028; and \$7.5 million in 2029. The aggregate benefits expected to be paid in the five years from 2030 through 2034 are \$31.5 million. The expected benefits to be paid are based on the same assumptions used to measure the Company's benefit obligation at December 31, 2024 and are the actuarial present value of the vested benefits to which the employee is currently entitled but based upon the expected date of separation or retirement. The 2025 contribution for the pension plan has not been determined.

The asset allocation of the fair value of pension plan assets compared to the target allocation range at December 31 was:

	2024	Target Allocation	2023	Target Allocation
Equity securities	41 %	28% - 48%	38 %	28% - 48%
Asset allocation and alternative assets	12 %	10% - 20%	12 %	10% - 20%
Debt securities	47 %	30% - 60%	50 %	30% - 60%
Cash and cash equivalents	— %	0% - 10%	— %	0% - 10%

Certain of our pension plan assets consist of investments in pooled separate accounts. The NAV of the separate accounts is calculated in a manner consistent with GAAP for investment companies and is determinative of their fair value. Several of the separate accounts invest in publicly quoted mutual funds or actively managed stocks. The fair value of the underlying mutual funds or stock is used to determine the NAV of the separate account, which is not publicly quoted. Some of the separate accounts also invest in fixed income securities. The fair value of the underlying securities is based on quoted prices of similar assets and is used to determine the NAV of the separate account. Sale of plan assets may be at values less than NAV. Certain redemption restrictions may apply to specific stock and bond funds, including written notices prior to the withdrawal of funds and a potential redemption fee on certain withdrawals.

Plan fiduciaries set investment policies and strategies and oversee its investment allocation, which includes selecting investment managers, commissioning periodic asset-liability studies, and setting long-term strategic targets. Long-term strategic investment objectives include preserving the funded status of the pension plan and balancing risk and return. Target allocation ranges are guidelines, not limitations, and occasionally plan fiduciaries will approve allocations above or below a target range.

The assumption for the expected long-term rate of return on plan assets was 6.75% at December 31, 2024 and 6.83% at December 31, 2023. This assumption is determined by analyzing: 1) historical average returns achieved by asset allocation and active management; 2) historical data on the volatility of returns; 3) current yields available in the marketplace; 4) actual returns on plan assets; and 5) current and anticipated future allocation among asset classes. The asset classes used for this analysis are domestic and international equities, investment grade corporate bonds, alternative assets, and cash. The overall rate is derived as a weighted average of the estimated long-term returns on the asset classes represented in the investment portfolio of the pension plan. Effective January 1, 2025, the assumption for the expected long-term rate of return on plan assets was 6.44%, net of plan expenses.

The assumed discount rate used to determine the benefit obligation was 5.34% for pension benefits and 5.42% for postemployment benefits at December 31, 2024 and 4.70% for pension benefits and 4.76% for postemployment benefits at December 31, 2023. The discount rates were determined by reference to the FTSE Pension Discount Curve (formerly the Citigroup Pension Liability Yield Curve) on December 31, 2024. Specifically, the spot rate curve represents the rates on zero coupon securities of the quality and type included in the pension index at various maturities. By discounting benefit cash flows

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

at these rates, a notional amount equal to the fair value of a cash flow defeasing portfolio of bonds was determined. The discount rate for benefits was calculated as a single rate giving the same discounted value as the notional amount.

The postemployment medical plans for eligible employees and their dependents are contributory with contributions adjusted annually. The benefits expected to be paid in each year from 2025 through 2029 are as follows: \$1.0 million in 2025; \$0.9 million in 2026; \$0.9 million in 2027; \$0.7 million in 2028; and \$0.8 million in 2029. The aggregate benefits expected to be paid in the five years from 2030 through 2034 are \$3.3 million. The expected benefits to be paid are based on the same assumptions used to measure the Company's benefit obligation at December 31, 2024. The 2025 contribution for the postemployment medical plans is estimated to be \$1.0 million. The Company pays these medical costs as they become due and the postemployment plan incorporates cost-sharing features. The postemployment plan disclosures included herein do not include the potential impact from the Medicare Act (the Act) that became law in December 2003. The Act introduced a new federal subsidy to sponsors of certain retiree health care plans that provide a benefit that is at least actuarially equivalent to Medicare. Since the Company does not provide benefits that are actuarially equivalent to Medicare, the Act did not impact our disclosures.

We recognize the funded status of our pension and postemployment plans in the Consolidated Balance Sheets, measured as the difference between plan assets at fair value and the projected benefit obligation. Changes in the funded status that arise during the period but are not recognized as components of net periodic benefit cost, are recognized within Other Comprehensive Income (Loss), net of taxes.

Significant sources of actuarial gains and losses for the pension plan included the impact of changes to the discount rate resulting in gains of \$4.3 million during 2024 and losses of \$1.5 million during 2023. The pension plan included losses from asset returns compared to expected returns of \$0.1 million in 2024 and gains of \$7.2 million in 2023. The mortality assumption and lump sum interest changes resulted in losses of \$0.4 million in 2024 and losses of less than \$0.1 million in 2023. The pension plan included gains from census change of \$1.4 million and gains from future cost of living adjustment of \$0.5 million in 2024. The pension plan included losses from census change of \$0.2 million and gains from future cost of living adjustment of \$0.5 million in 2023. The significant sources of actuarial gains and losses for other postretirement benefits included the impact of changes to the discount rate resulting in losses of \$0.7 million in 2024 and losses of \$0.3 million during 2023. Other postretirement benefits included gains from census change of \$0.3 million in 2024 and losses of \$0.4 million in 2023. Additionally, gains from updated claims costs and premiums resulted in gains of \$1.3 million in 2024 and gains of \$0.8 million in 2023.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following tables provide information regarding pension benefits and other postemployment benefits (OPEB) for the years ended December 31.

	Pension Benefits		OPEB	
	2024	2023	2024	2023
Change in projected benefit obligation:				
Benefit obligation at beginning of year	\$ 94,874	\$ 97,678	\$ 12,643	\$ 12,975
Service cost	—	—	59	67
Interest cost	4,225	4,537	580	622
Plan participants' contributions	—	—	478	638
Actuarial loss (gain)	(5,948)	1,339	(2,431)	(266)
Benefits paid	(8,658)	(8,680)	(1,298)	(1,393)
Benefit obligation at end of year	<u>\$ 84,493</u>	<u>\$ 94,874</u>	<u>\$ 10,031</u>	<u>\$ 12,643</u>

Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 143,456	\$ 135,892	\$ —	\$ —
Return on plan assets	9,498	16,109	—	—
Plan participants' contributions	—	—	478	638
Company contributions	135	135	820	755
Benefits paid	(8,658)	(8,680)	(1,298)	(1,393)
Plan expenses	(239)	—	—	—
Fair value of net plan assets at end of year	<u>\$ 144,192</u>	<u>\$ 143,456</u>	<u>\$ —</u>	<u>\$ —</u>

Under (over) funded status at end of year	<u>\$ (59,699)</u>	<u>\$ (48,582)</u>	<u>\$ 10,031</u>	<u>\$ 12,643</u>
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	Pension Benefits		OPEB	
	2024	2023	2024	2023
Amounts recognized in accumulated other comprehensive income (loss):				
Net loss (gain)	\$ 56,172	\$ 64,590	\$ (12,826)	\$ (11,986)
Prior service credit	(1,010)	(1,076)	—	—
Total accumulated other comprehensive income (loss)	<u>\$ 55,162</u>	<u>\$ 63,514</u>	<u>\$ (12,826)</u>	<u>\$ (11,986)</u>

	Pension Benefits		OPEB	
	2024	2023	2024	2023
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):				
Unrecognized actuarial net gain	\$ (5,855)	\$ (5,832)	\$ (2,431)	\$ (266)
Amortization of net gain (loss)	(2,563)	(2,991)	1,591	1,626
Amortization of prior service credit	66	66	—	—
Total loss (gain) recognized in other comprehensive income (loss)	<u>\$ (8,352)</u>	<u>\$ (8,757)</u>	<u>\$ (840)</u>	<u>\$ 1,360</u>

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

	Pension Benefits		OPEB	
	2024	2023	2024	2023
Weighted average assumptions used to determine benefit obligations at December 31:				
Discount rate	5.34 %	4.70 %	5.42 %	4.76 %
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31:				
Discount rate	4.70 %	4.90 %	4.76 %	4.96 %
Expected return on plan assets	6.75 %	6.83 %	— %	—

The following table presents the fair value of each major category of pension plan assets at December 31.

	2024	2023
Fixed maturity securities:		
U.S. Government	\$ 18	\$ 25
Industrial and public utility	3,175	5,125
Investment funds:		
Mutual funds	49,912	47,964
Collective trust	89,344	88,804
Limited partnerships	1,427	1,429
Other invested assets	10	15
Cash and cash equivalents	38	45
Receivables	268	49
Fair value of assets at end of year	<u>\$ 144,192</u>	<u>\$ 143,456</u>

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following tables provide the fair value hierarchy, as described in Note 4 - Fair Value Measurements, for pension plan assets at December 31.

2024				
	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
U.S. Government	\$ —	\$ 18	\$ —	\$ 18
Industrial and public utility	—	3,175	—	3,175
Mutual funds	49,912	—	—	49,912
Other invested assets	—	—	10	10
Total assets in the fair value hierarchy	<u>49,912</u>	<u>3,193</u>	<u>10</u>	<u>53,115</u>
Investments measured at net asset value: ¹				
Collective trust				89,344
Limited partnerships				1,427
Investments at fair value				<u>\$ 143,886</u>

2023				
	Level 1	Level 2	Level 3	Total
Fixed maturity securities:				
U.S. Government	\$ —	\$ 25	\$ —	\$ 25
Industrial and public utility	—	5,125	—	5,125
Mutual funds	47,964	—	—	47,964
Other invested assets	—	—	15	15
Total assets in the fair value hierarchy	<u>47,964</u>	<u>5,150</u>	<u>15</u>	<u>53,129</u>
Investments measured at net asset value: ¹				
Collective trust				88,804
Limited partnerships				1,429
Investments at fair value				<u>\$ 143,362</u>

¹ These investments are valued based on net asset value per unit. These values are provided by the fund as a practical expedient and have not been classified in the fair value hierarchy.

The following table discloses the changes in Level 3 pension plan assets measured at fair value on a recurring basis for the years ended December 31.

	2024	2023
Beginning balance	\$ 15	\$ 30
Gains (losses) realized and unrealized	(5)	(15)
Ending balance	<u>\$ 10</u>	<u>\$ 15</u>

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following table provides the components of net periodic benefit cost (credit) for the years ended December 31.

	Pension Benefits			OPEB		
	2024	2023	2022	2024	2023	2022
Service cost	\$ —	\$ —	\$ —	\$ 59	\$ 67	\$ 124
Interest cost	4,225	4,537	2,942	580	622	498
Expected return on plan assets	(9,351)	(8,938)	(9,667)	—	—	—
Amortization of:						
Unrecognized actuarial net loss (gain)	2,563	2,991	2,066	(1,591)	(1,626)	(902)
Unrecognized prior service credit	(66)	(66)	(66)	—	—	—
Net periodic benefit credit	(2,629)	(1,476)	(4,725)	(952)	(937)	(280)
Total recognized in other comprehensive income (loss)	(8,352)	(8,757)	14,067	(840)	1,360	(4,673)
Total recognized in net periodic benefit cost (credit) and other comprehensive income (loss)	<u>\$ (10,981)</u>	<u>\$ (10,233)</u>	<u>\$ 9,342</u>	<u>\$ (1,792)</u>	<u>\$ 423</u>	<u>\$ (4,953)</u>

For measurement purposes at December 31, 2024, the annual increase in the per capita cost of covered health care benefits was assumed to be 6.80%, decreasing gradually to 5.00% in 2030 and thereafter. For measurement purposes at December 31, 2023, the annual increase in the per capita cost of covered health care benefits was assumed to be 7.15%, decreasing gradually to 5.0% in 2030 and thereafter.

Non-contributory defined contribution retirement plans for eligible general agents and sales agents provide supplemental payments based upon earned first year individual life and annuity commissions. Contributions to these plans were \$0.1 million in each of 2024, 2023, and 2022. Non-contributory deferred compensation plans for eligible agents based upon earned first year commissions are also offered. Contributions to these plans were \$0.2 million in each of 2024, 2023, and 2022.

Savings plans for eligible employees and agents match employee and agent contributions up to 8.00% of salary and 2.50% of agents' prior year paid commissions. Contributions to the savings plans were \$2.4 million in each of 2024, 2023, and 2022. We may contribute an additional profit sharing amount up to 4% of salary for eligible employees, depending upon corporate profits. The Company made an additional profit sharing contribution of \$1.5 million in 2024. The Company did not make an additional profit sharing contribution in 2023 or 2022.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

13. 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. The cash award is calculated over a three-year interval on a calendar year basis. At the conclusion of each three-year interval, participants will receive a cash award based on the increase in the share price, multiplied by the number of units attributable to each participant. Amounts are accrued and paid at the end of each three-year interval if the stock price appreciates. Plan payments are contingent on the continued employment of the participant unless termination is due to a qualifying event such as death, disability, or retirement. In addition, all payments are lump sum with no deferrals allowed. The Company does not make payments in shares, warrants, or options.

The following table provides information about the outstanding three-year intervals at December 31, 2024.

Defined Measurement Period	Number of Units	Grant Price
2022-2024	116,859	\$42.03
2023-2025	179,314	\$27.60
2024-2026	161,947	\$31.47
2025-2027 ¹	102,868	\$36.23

¹ Effective January 1, 2025

The Company did not make a cash payment under the long-term incentive plan during 2024 for the three-year interval ended December 31, 2023. The Company did not make a cash payment under the long-term incentive plan during 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 2022 for the three-year interval ended December 31, 2021. The cost of share-based compensation accrued as an operating expense during 2024 was \$0.8 million, net of tax. The cost of share-based compensation accrued as an operating expense during 2023 was \$0.3 million, net of tax. The change in accrual that reduced operating expense during 2022 was \$1.1 million, net of tax.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

14. Reinsurance

The following table provides information about reinsurance for the years ended December 31.

	2024	2023	2022
Life insurance in force (in millions):			
Direct	\$ 48,054	\$ 49,365	\$ 50,479
Ceded	(29,796)	(30,719)	(31,667)
Assumed	3,670	3,962	4,316
Net	<u>\$ 21,928</u>	<u>\$ 22,608</u>	<u>\$ 23,128</u>
Premiums:			
Life insurance:			
Direct	\$ 250,676	\$ 262,373	\$ 259,646
Ceded	(113,540)	(108,714)	(106,060)
Assumed	5,316	6,200	5,776
Net	<u>\$ 142,452</u>	<u>\$ 159,859</u>	<u>\$ 159,362</u>
Accident and health:			
Direct	\$ 64,168	\$ 61,546	\$ 59,253
Ceded	(10,257)	(10,239)	(10,007)
Net	<u>\$ 53,911</u>	<u>\$ 51,307</u>	<u>\$ 49,246</u>

Ceded Reinsurance Arrangements

Old American has a coinsurance agreement that reinsures certain whole life policies issued by Old American prior to December 1, 1986. These policies had a face value of \$7.5 million at December 31, 2024 and \$8.5 million at December 31, 2023. The reserve for future policy benefits ceded under this agreement was \$4.7 million at December 31, 2024 and \$5.3 million at December 31, 2023.

Ibexis Life & Annuity Insurance Company, a former subsidiary, entered into a yearly renewable term reinsurance agreement January 1, 2002, whereby it ceded 80% of its retained mortality risk on traditional and universal life policies. In June 2012, Ibexis Life & Annuity Insurance Company recaptured approximately 9% of the outstanding bulk reinsurance agreement. Effective with the sale of Ibexis Life & Annuity Insurance Company on November 1, 2021, Kansas City Life assumed the responsibility for this agreement. The insurance in force ceded approximated \$420.7 million at December 31, 2024 and \$458.7 million at December 31, 2023. Premiums totaled \$4.9 million during 2024, \$5.1 million during 2023, and \$5.3 million during 2022.

On January 1, 2022, Old American entered into a reinsurance agreement whereby it began reinsuring 50% of new business on selected products. This agreement was modified effective October 1, 2022, to reinsure 75% of new business on selected products and was subsequently modified to reinsure 50% on August 1, 2024. The insurance in force ceded approximated \$181.0 million at December 31, 2024 and \$135.5 million at December 31, 2023. Premiums totaled \$13.3 million during 2024, \$10.4 million during 2023, and \$5.4 million during 2022.

In 2022, the Company reinsured a block of fixed annuity business to a certified domestic reinsurer. The agreement requires the Company to administer this business on an ongoing basis, and we will receive an expense allowance associated with these efforts. At inception, the Company recorded a deferred revenue liability that is included in Other Liabilities in the Consolidated Balances Sheets. This liability is being amortized over future periods consistent with the amortization of the Deposit Asset on Reinsurance. The Company determined that the reinsurance agreement did not expose the reinsurer to a significant loss from reinsurance risk. Therefore, the Company 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 2024, investment income recognized was \$14.7 million and interest credited on the block totaled \$14.6 million. In 2023, investment

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

income recognized was \$16.5 million and interest credited on the block was \$16.4 million. In 2022, the investment income recognized was \$25.6 million less \$3.8 million in transferred investment income and the interest credited on the block was \$13.9 million. The Deposit Asset on Reinsurance balance was \$377.5 million at December 31, 2024 and \$419.4 million at December 31, 2023.

Reinsurance recoverables were \$404.2 million at year-end 2024, consisting of reserves ceded of \$371.3 million and claims ceded of \$32.9 million. Reinsurance recoverables were \$409.2 million at year-end 2023, consisting of reserves ceded of \$365.3 million and claims ceded of \$43.9 million.

The maximum retention on any one life during 2024 and 2023 was \$0.5 million for ordinary life plans and \$0.1 million for group coverage.

The following table reflects our reinsurance partners whose recoverable was 5% or greater of our total reinsurance recoverable and deposit asset on reinsurance at December 31, 2024, along with their A.M. Best credit rating.

	A.M. Best Rating	Reinsurance Recoverable and Deposit Asset on Reinsurance	% of Recoverable
RGA Reinsurance Company	A+	\$ 520,453	67 %
Transamerica Life Insurance Company	A	70,310	9 %
Swiss Re Life & Health America, Inc	A+	49,545	6 %
SCOR Global Life USA Reinsurance Company	A	42,082	5 %
Other (23 Companies)		99,276	13 %
Total		<u>\$ 781,666</u>	<u>100 %</u>

We monitor the financial condition of our reinsurance partners to assess the risk of default. We have a significant concentration of credit risk with RGA Reinsurance Company (RGA). We believe that all of our reinsurance recoverables from RGA are collectible as of December 31, 2024. In the event of a failure of RGA to perform its obligations under its reinsurance treaties, there could be a material impact on our financial position and results of operations. RGA had an A+ (Superior) financial strength rating from A.M. Best and an AA- (Very Strong) financial strength rating from S&P Global Ratings as of December 31, 2024.

A contingent liability exists with respect to reinsurance, which may become a liability of the Company in the unlikely event that the reinsurers should be unable to meet obligations assumed under reinsurance contracts. The solvency of reinsurers is reviewed annually.

We monitor several factors that we consider relevant as to the ongoing ability of a reinsurer to meet the obligations of the reinsurance agreements. These factors include the credit rating as well as significant changes or events of the reinsurer. In addition, we review the credit rating and financial statements of a reinsurer before entering into any new agreements. If we believe it is probable that any reinsurer would not be able to satisfy its obligations with us, an allowance for credit losses may be established. At year-end 2024 and year-end 2023, one reinsurer met these conditions.

We had a reinsurance agreement with Scottish Re, with a reinsurance recoverable for ceded claims of \$3.4 million and an allowance for credit losses of \$1.4 million at both December 31, 2024 and December 31, 2023. 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 Receiver filed a Motion for Entry of a Liquidation and Injunction Order on July 18, 2023. We will continue to monitor the Liquidation and Injunction Order and expected recovery of the reinsurance recoverable. 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.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

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 December 31, 2024, with the exception of reinsurance recoverables from Scottish Re US Inc. (Scottish Re).

The following table provides a rollforward of the allowance for credit losses for reinsurance recoverables and other assets for the years ended December 31.

	2024		2023	
	Reinsurance Recoverable	Other Assets	Reinsurance Recoverable	Other Assets
Beginning of year	\$ 1,353	\$ 737	\$ —	\$ —
Provision for adoption of ASU No. 2016-13	—	—	1,772	—
Additions for credit losses not previously recorded	—	—	—	737
Additions (reductions) for credit losses recorded in a previous period	14	—	(419)	—
End of year	<u>\$ 1,367</u>	<u>\$ 737</u>	<u>\$ 1,353</u>	<u>\$ 737</u>

Effective October 1, 2023, coinsurance on term life insurance policies held through Scottish Re was recaptured, resulting in the release of ceded reserves of \$1.5 million. The mortality risk on this business was subsequently reinsured on a yearly renewable term (YRT) basis to one of our existing domestic reinsurance partners. The receivable for ceded reserves and premium related to the previously coinsured policies was \$1.8 million at both December 31, 2024 and December 31, 2023. This receivable is recorded in Other Assets in the Consolidated Balance Sheets. The allowance for credit losses on this receivable was \$0.7 million at both December 31, 2024 and December 31, 2023.

Assumed Reinsurance Arrangements

We acquired a block of traditional life and universal life products from Security Benefit Life Insurance Company in 1997 through a 100% coinsurance and servicing arrangement. Investments equal to the statutory policy reserves are held in a trust to secure payment of the estimated liabilities relating to the policies. This block had \$437.5 million of life insurance in force at December 31, 2024 and \$473.8 million of life insurance in force at December 31, 2023. This block generated life insurance premiums of \$1.5 million in 2024, \$1.7 million in 2023, and \$1.6 million in 2022.

We acquired a block of variable universal life insurance policies and variable annuity contracts from American Family Life Insurance Company in 2013. The transfer was comprised of a 100% modified coinsurance transaction on the separate account business and a 100% coinsurance transaction for the corresponding fixed account business. Included in the transaction are ongoing servicing arrangements for this business. This block consisted of \$361.7 million of separate account balances at December 31, 2024, which are included in the financial statements of American Family, compared to \$347.6 million at December 31, 2023. This block consisted of \$0.5 million of future policy benefits and \$33.5 million in fixed fund balances that are included in Policyholder Account Balances in the Company's Consolidated Balance Sheets at December 31, 2024. This block consisted of \$0.5 million of future policy benefits and \$34.4 million in fixed fund balances at December 31, 2023.

Effective December 31, 2020, Kansas City Life entered into a 100% assumption reinsurance agreement with Ibexis Life & Annuity Insurance Company for all direct policyholder liabilities written by Ibexis Life & Annuity Insurance Company. Effective November 1, 2021, Kansas City Life recognized 100% of the future policy benefits and policyholder account balances as well as other related liabilities in the reinsurance assumption that occurred December 31, 2020. As Ibexis Life & Annuity Insurance Company was still part of the consolidated entity prior to November 1, 2021, this agreement had no impact on consolidated reporting. Effective with the sale of Ibexis Life & Annuity Insurance Company on November 1, 2021, the treaty is now accounted for as an assumption reinsurance agreement from an unaffiliated third party. The Company is pursuing a novation plan, whereby policies under this agreement will be converted to direct business of Kansas City Life. In order to novate, certain conditions must be met as identified under state regulations. As these conditions are met, a policy is converted to a direct policy and the reinsurance aspect is eliminated. As of December 31, 2024, approximately three-fourths of the reserves for these policies had been converted. This block had \$827.8 million of life insurance in force at December 31, 2024 and generated life insurance premiums of \$1.1 million in 2024. This block had \$916.2 million of life insurance in force at December 31, 2023 and generated life insurance premiums of \$1.1 million in 2023. This block consisted of \$26.7 million of future policy benefits and \$178.6 million of policyholder account balances at December 31, 2024. This block consisted of \$28.4 million of future policy benefits and \$187.0 million of policyholder account balances at December 31, 2023.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

15. Comprehensive Income (Loss)

Comprehensive Income (Loss) is comprised of Net Income (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. Furthermore, 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).

	Year Ended December 31, 2024		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Change in unrealized investment gains/losses	\$ (41,176)	\$ (8,646)	\$ (32,530)
Reclassification of unrealized investment gains/losses	5,673	1,191	4,482
Effect on DAC, VOBA, and DRL	4,134	868	3,266
Change in benefit plan obligations	9,192	1,930	7,262
Other comprehensive loss	<u>\$ (22,177)</u>	<u>\$ (4,657)</u>	<u>\$ (17,520)</u>
Net loss			(4,965)
Comprehensive loss			<u>\$ (22,485)</u>

	Year Ended December 31, 2023		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Change in unrealized investment gains/losses	\$ 80,958	\$ 17,001	\$ 63,957
Reclassification of unrealized investment gains/losses	6,308	1,325	4,983
Effect on DAC, VOBA, and DRL	(7,665)	(1,610)	(6,055)
Change in benefit plan obligations	7,397	1,553	5,844
Other comprehensive income	<u>\$ 86,998</u>	<u>\$ 18,269</u>	<u>\$ 68,729</u>
Net income			54,920
Comprehensive income			<u>\$ 123,649</u>

	Year Ended December 31, 2022		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Change in unrealized investment gains/losses	\$ (474,535)	\$ (99,652)	\$ (374,883)
Reclassification of unrealized investment gains/losses	10,591	2,224	8,367
Effect on DAC, VOBA, and DRL	39,664	8,330	31,334
Change in policyholder liabilities	33,877	7,112	26,765
Change in benefit plan obligations	(9,394)	(1,970)	(7,424)
Other comprehensive loss	<u>\$ (399,797)</u>	<u>\$ (83,956)</u>	<u>\$ (315,841)</u>
Net loss			(16,218)
Comprehensive loss			<u>\$ (332,059)</u>

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following table provides accumulated balances related to each component of Accumulated Other Comprehensive Income (Loss) at December 31, 2024, net of tax.

	Unrealized Gain (Loss) on Securities	DAC/ VOBA/DRL Impact	Benefit Plan Obligations	Total
Beginning of year	\$ (144,854)	\$ 12,701	\$ (40,708)	\$ (172,861)
Other comprehensive income (loss) before reclassification	(32,530)	3,266	7,262	(22,002)
Amounts reclassified from accumulated other comprehensive income (loss)	4,482	—	—	4,482
Net current-period other comprehensive income (loss)	(28,048)	3,266	7,262	(17,520)
End of year	<u>\$ (172,902)</u>	<u>\$ 15,967</u>	<u>\$ (33,446)</u>	<u>\$ (190,381)</u>

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

	Unrealized Gain (Loss) on Securities	DAC/ VOBA/DRL Impact	Benefit Plan Obligations	Total
Beginning of year	\$ (213,794)	\$ 18,756	\$ (46,552)	\$ (241,590)
Other comprehensive income (loss) before reclassification	63,957	(6,055)	5,844	63,746
Amounts reclassified from accumulated other comprehensive income (loss)	4,983	—	—	4,983
Net current-period other comprehensive income (loss)	68,940	(6,055)	5,844	68,729
End of year	<u>\$ (144,854)</u>	<u>\$ 12,701</u>	<u>\$ (40,708)</u>	<u>\$ (172,861)</u>

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

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 year ended December 31.

	2024	2023
Reclassification adjustments related to unrealized gains (losses) on investment securities:		
Net realized investment losses, excluding credit and impairment losses ¹	\$ (852)	\$ (6,308)
Income tax benefit ²	179	1,325
Net of taxes	(673)	(4,983)
Intent-to-sell impairments ¹	(4,821)	—
Income tax benefit ²	1,012	—
Net of taxes	(3,809)	—
Total pre-tax reclassifications	(5,673)	(6,308)
Total income tax benefit	1,191	1,325
Total reclassification, net of taxes	<u>\$ (4,482)</u>	<u>\$ (4,983)</u>

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

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

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 year ended December 31.

	2022
Reclassification adjustments related to unrealized gains (losses) on investment securities:	
Net realized investment gains (losses), excluding impairment losses ¹	\$ (10,557)
Income tax benefit (expense) ²	2,217
Net of taxes	(8,340)
Other-than-temporary impairment losses ¹	(34)
Income tax benefit ²	7
Net of taxes	(27)
Total pre-tax reclassifications	(10,591)
Total income tax benefit (expense)	2,224
Total reclassification, net taxes	<u>\$ (8,367)</u>

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

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

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

16. 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 years reported. The average number of shares outstanding was 9,683,414 shares during each of 2024, 2023, and 2022. The number of shares outstanding at both December 31, 2024 and December 31, 2023 was 9,683,414.

17. Segment Information

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. The Individual Insurance segment consists of individual insurance products for Kansas City Life, Grange Life, and the assumed reinsurance transactions. The Group Insurance segment consists of sales of group life, dental, vision, disability, accident, and critical illness products. The Old American segment consists of individual insurance products designed largely as final expense products.

The accounting policies of all segments are the same as those described in Note 1 - Significant Accounting Policies. The chief operating decision maker assesses performance for all segments and decides how to allocate resources based on net income (loss) that is also reported on the income statement as consolidated net income (loss). The measure of segment assets is reported on the balance sheet as total consolidated assets. The chief operating decision maker uses net income (loss), amongst other metrics, to assist in the evaluation of the performance of all segments, to determine plans and actions, and to direct the use of assets and capital. The Company's chief operating decision maker is the chief executive officer.

Inter-segment revenues are not material. We operate solely in the United States of America and no individual customer accounts for 10% or more of our revenue.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

The following tables provide information about segment revenue, measures of segment profit or loss, significant segment expenses, and a measure of segment assets for the years ended December 31.

	2024			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	\$ 168,346	\$ 70,126	\$ 82,677	\$ 321,149
Intersegment revenues	466	—	—	466
Net investment income ¹	150,596	451	13,569	164,616
Net investment losses	(366)	—	(310)	(676)
Other revenues	5,598	99	1	5,698
Total segment revenues	<u>324,640</u>	<u>70,676</u>	<u>95,937</u>	<u>491,253</u>
Elimination of intersegment revenues				<u>(466)</u>
Total revenues				<u>490,787</u>
Policyholder benefits	145,488	41,774	63,090	250,352
Interest credited to policyholder account balances	78,801	—	—	78,801
Amortization of deferred acquisition costs	17,138	—	18,117	35,255
Operating expenses:				
Salaries and benefits	39,641	4,963	8,161	52,765
Other segment items ²	54,551	20,887	4,968	80,406
Operating expenses	<u>94,192</u>	<u>25,850</u>	<u>13,129</u>	<u>133,171</u>
Total segment benefits and expenses	<u>335,619</u>	<u>67,624</u>	<u>94,336</u>	<u>497,579</u>
Elimination of intersegment expense				<u>(466)</u>
Total benefits and expenses				<u>497,113</u>
Income (loss) before income tax expense (benefit)	(10,979)	3,052	1,601	(6,326)
Income tax expense (benefit)	<u>(2,337)</u>	<u>641</u>	<u>335</u>	<u>(1,361)</u>
Net income (loss)	<u>\$ (8,642)</u>	<u>\$ 2,411</u>	<u>\$ 1,266</u>	<u>\$ (4,965)</u>
Assets	<u>\$ 4,550,450</u>	<u>\$ 11,247</u>	<u>\$ 457,263</u>	<u>\$ 5,018,960</u>

¹ Includes \$4.0 million of depreciation on invested assets.

² Other segment items includes agency-related expenses, legal expenses, depreciation, amortization, commission expenses net of capitalization, marketing expenses, professional services, and overhead expenses.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

	2023			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	\$ 178,907	\$ 67,272	\$ 87,574	\$ 333,753
Intersegment revenues	450	—	—	450
Net investment income ¹	144,939	266	12,436	157,641
Net investment gains (losses)	62,141	—	(88)	62,053
Other revenues	5,365	107	1	5,473
Total segment revenues	<u>391,802</u>	<u>67,645</u>	<u>99,923</u>	<u>559,370</u>
Elimination of intersegment revenues				<u>(450)</u>
Total revenues				<u>558,920</u>
Policyholder benefits	160,115	40,145	65,528	265,788
Interest credited to policyholder account balances	74,311	—	—	74,311
Amortization of deferred acquisition costs	14,943	—	19,416	34,359
Operating expenses:				
Salaries and benefits	41,011	5,146	8,043	54,200
Other segment items ²	36,309	19,898	5,195	61,402
Operating expenses	<u>77,320</u>	<u>25,044</u>	<u>13,238</u>	<u>115,602</u>
Total segment benefits and expenses	<u>326,689</u>	<u>65,189</u>	<u>98,182</u>	<u>490,060</u>
Elimination of intersegment expense				<u>(450)</u>
Total benefits and expenses				<u>489,610</u>
Income before income tax expense	65,113	2,456	1,741	69,310
Income tax expense	13,504	515	371	14,390
Net income	<u>\$ 51,609</u>	<u>\$ 1,941</u>	<u>\$ 1,370</u>	<u>\$ 54,920</u>
Assets	<u>\$ 4,592,574</u>	<u>\$ 10,808</u>	<u>\$ 449,780</u>	<u>\$ 5,053,162</u>

¹ Includes \$7.4 million of depreciation on invested assets.

² Other segment items includes agency-related expenses, legal expenses, depreciation, amortization, commission expenses net of capitalization, marketing expenses, professional services, and overhead expenses.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

	2022			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	\$ 174,168	\$ 64,662	\$ 93,822	\$ 332,652
Intersegment revenues	440	—	—	440
Net investment income ¹	142,605	266	11,008	153,879
Net investment losses	(16,486)	—	(157)	(16,643)
Other revenues	6,627	124	3	6,754
Total segment revenues	307,354	65,052	104,676	477,082
Elimination of intersegment revenues				(440)
Total revenues				476,642
Policyholder benefits	145,811	38,541	74,047	258,399
Interest credited to policyholder account balances	72,974	—	—	72,974
Amortization of deferred acquisition costs	20,225	—	20,368	40,593
Operating expenses:				
Salaries and benefits	29,365	3,936	7,904	41,205
Other segment items ²	58,417	20,447	5,804	84,668
Operating expenses	87,782	24,383	13,708	125,873
Total segment benefits and expenses	326,792	62,924	108,123	497,839
Elimination of intersegment expense				(440)
Total benefits and expenses				497,399
Income (loss) before income tax expense (benefit)	(19,438)	2,128	(3,447)	(20,757)
Income tax expense (benefit)	(4,262)	447	(724)	(4,539)
Net income (loss)	\$ (15,176)	\$ 1,681	\$ (2,723)	\$ (16,218)
Assets	\$ 4,524,863	\$ 9,322	\$ 430,964	\$ 4,965,149

¹ Includes \$3.0 million of depreciation on invested assets.

² Other segment items includes agency-related expenses, legal expenses, depreciation, amortization, commission expenses net of capitalization, marketing expenses, professional services, and overhead expenses.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

18. Quarterly Consolidated Financial Data (unaudited)

The unaudited quarterly results of operations for the years ended December 31 are summarized in the following table.

	2024			
	First	Second	Third	Fourth
Total revenues	\$ 127,308	\$ 122,512	\$ 125,147	\$ 115,820
Total benefits and expenses	125,344	116,546	123,478	131,745
Net income (loss)	1,554	4,735	1,321	(12,575)
Per common share, basic and diluted	0.16	0.49	0.14	(1.30)

	2023			
	First	Second	Third	Fourth
Total revenues	\$ 125,969	\$ 123,952	\$ 122,626	\$ 186,373
Total benefits and expenses	130,080	118,296	116,785	124,449
Net income (loss)	(3,241)	4,463	4,599	49,099
Per common share, basic and diluted	(0.33)	0.46	0.47	5.07

19. Statutory Information and Stockholder Dividends Restriction

The following table provides Kansas City Life's net gain (loss) from operations, net income (loss), and capital and surplus (stockholders' equity) on the statutory basis used to report to regulatory authorities for the years ended December 31.

	2024	2023	2022
Net gain (loss) from operations	\$ (13,492)	\$ 495	\$ (20,319)
Net income (loss)	(9,953)	55,355	(21,532)
Capital and surplus	261,607	277,625	220,044

Kansas City Life recognizes its 100% ownership in Old American and Grange Life under the equity method with subsidiary earnings recorded through surplus on a statutory accounting basis. Capital and surplus at December 31, 2024 in the above table includes capital and surplus of \$29.8 million for Old American and \$25.3 million for Grange Life.

Stockholder dividends may not exceed statutory unassigned surplus. Additionally, under Missouri law, a company must have the prior approval of the Missouri Director of Insurance to pay dividends in any consecutive twelve-month period exceeding the greater of statutory net gain from operations for the preceding year or 10% of capital and surplus at the end of the preceding year. Both Kansas City Life and Old American are Missouri-domiciled insurance companies. The maximum stockholder dividends payable by Kansas City Life without prior approval in 2025 is \$26.2 million, 10% of December 31, 2024 capital and surplus. The maximum stockholder dividends payable by Old American without prior approval in 2025 is \$5.9 million, net gain from operations for the year ended December 31, 2024.

Grange Life is subject to the laws in Ohio, its state of domicile. Ohio law limits the Company's payment of dividends to its parent company, Kansas City Life. The maximum dividend that may be paid by an Ohio-domiciled insurance company to its shareholders in any year without the prior approval of the Ohio Director of the Department of Insurance is limited to the greater of the net income of the preceding calendar year or 10% of capital and surplus as of the preceding December 31. Ohio law also requires that any dividend be paid from earned surplus. The maximum dividend payments that can be made in 2025, without obtaining prior approval, are \$2.5 million subject to the amount of earned surplus available at the time of payment.

We believe that the statutory limitations described above impose no practical restrictions on the declaration and subsequent payment of any dividend that may be declared on any of our three insurance companies.

Insurance companies are monitored and evaluated by state insurance departments as to the financial adequacy of statutory capital and surplus in relation to each company's risks. One such measure is through the risk-based capital (RBC) guidelines. RBC requirements are intended to be used by insurance regulators as an early warning tool to identify deteriorating or weakly

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

capitalized insurance companies for the purpose of initiating regulatory action. RBC guidelines consist of target statutory surplus levels based on the relationship of statutory capital and surplus to the sum of weighted risk exposures. The RBC calculation determines both an authorized control level and a total adjusted capital prepared on the RBC basis. Generally, regulatory action is at 150% of the authorized control level. Each of the insurance companies was within the range of approximately 490% to 900%, well in excess of the control level at December 31, 2024.

We are required to deposit a defined amount of assets with state regulatory authorities. Such assets had a statutory carrying value of \$9.7 million at December 31, 2024, \$8.5 million at December 31, 2023, and \$8.8 million at December 31, 2022.

20. Commitments, Regulatory Matters, Guarantees, and Indemnifications

Commitments

In the normal course of business, we have open purchase and sale commitments.

At December 31, 2024 and December 31, 2023, we had no equity commitments outstanding to the real estate joint venture VIEs. At December 31, 2024 and December 31, 2023, we had no contingent commitments to fund additional equity contributions for operating support to real estate joint venture VIEs. At December 31, 2024, we had unfunded commitments of \$54.9 million for additional alternative investment funds. At December 31, 2023, we had unfunded commitments of \$43.5 million for additional alternative investment funds.

At December 31, 2024, we had purchase commitments to fund mortgage loans of \$9.3 million. Subsequent to December 31, 2024, we entered into commitments to fund additional mortgage loans of \$4.2 million.

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 Missouri Department of Insurance completed an examination based upon our statutory financial statements for the year ended December 31, 2019 for Kansas City Life and Old American. The Ohio Department of Insurance completed an examination based upon our statutory financial statements for the year ended December 31, 2019 for Grange Life Insurance Company. No recommendations or financial adjustments were required as a result of those examinations. A periodic examination by the Missouri Department of Insurance and the Ohio Department of Insurance based upon the year ended December 31, 2023 is currently ongoing.

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 funding 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.

21. Contingent Liabilities

On March 1, 2019, the Delaware Department of Insurance requested Scottish Re (US) be placed in rehabilitation. Kansas City Life had ceded some of its business to Scottish Re (US), a subsidiary of Scottish Re Group. On July 18, 2023, the Court entered a Liquidation and Injunction Order (the "Order") detailing the termination of Scottish Re (US)'s existing reinsurance contracts and providing for a liquidation of its assets. We have established an allowance for credit losses related to the reinsurance receivables related to our agreements with Scottish Re (US) under ASU No. 2016-13 as adopted by the Company on January 1, 2023. We will continue to closely monitor developments related to the distribution of assets by the receiver as we evaluate the allowance for credit losses related to these reinsurance receivables in future financial periods. For additional information, please see Note 14 - Reinsurance.

We are also 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.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

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 accrue 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. If a range of loss is estimated, and some amount within that range appears to be a better estimate than any other amount within that range, then that amount is accrued. If no amount within the range can be identified as a better estimate than any other amount, we accrue the minimum amount in the range.

For such matters where a loss is believed to be reasonably possible, but not probable, or the loss cannot be reasonably estimated, no accrual has been made. It is possible that such matters could require us to pay damages or make other expenditures or establish accruals in amounts that could not be reasonably estimated as of December 31, 2024. While the potential future liabilities could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known by management, we do not believe any such liabilities are likely to have a material adverse effect on our business and our consolidated financial position, results of operations and cash flows, except for the matters described below under the heading "Cost of Insurance Litigation."

Cost of Insurance Litigation

The Company is involved in five related class actions alleging that we determined cost of insurance rates in excess of amounts permitted by the terms of certain universal and variable universal life insurance policies. The Company also has two new putative class actions based on the same underlying claims.

- The Company's request for transfer to the Karr v. Kansas City Life case to the Missouri Supreme Court was denied in December 2024. The case was remanded to the trial court and the judgment was satisfied in 2025. For more information, see Note 22 - Subsequent Events below.
- Meek v. Kansas City Life is a class action filed in the U.S. District Court for the Western District of Missouri. The Court certified a class in this matter in February of 2022 that includes current and former policyowners who purchased certain universal life policies (described below) that were issued in the State of Kansas. The class was limited to those whose policies were active on or after January 1, 2002. The Court issued a summary judgment ruling in March of 2023 that related to claims by both plaintiffs and defendant. The Court ruled in the favor of plaintiffs on the first three counts, which relate to permitted cost of insurance 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 entered an Order partially decertifying the Class on June 20, 2023, further limiting the class to those Class members who incurred charges for "cost of insurance" or "expense charges" between June 18, 2014, and February 28, 2021. In May 2023, the case went to jury trial, and the jury rendered a verdict in favor of the plaintiff in the amount of \$0.9 million. The 8th Circuit Court of Appeals affirmed the lower courts findings in January of 2025. The Company has established an accrual as of December 31, 2024, in the amount of \$1.0 million, which includes the \$0.9 million judgment awarded by the Court and \$0.1 million in post-judgment interest from the date of the judgement through year end 2024. The amount, with any additional accrued interest, is expected to be paid later in 2025.
- Sheldon v. Kansas City Life is a class action filed in the 16th Circuit Court for the State of Missouri (Jackson County). The Court certified a class in May of 2022 that includes contract owners who purchased certain Century II Variable Universal Life contracts that were issued in the State of Missouri and whose policies were active on or after January 1, 2002. The Court granted partial Summary Judgment to plaintiffs on the contract counts at issue in the class action. In September 2023, the case went to trial and the jury rendered a verdict in favor of the plaintiffs in the amount of \$4.1 million. Following an appeal to the Missouri Court of Appeals, the case was remanded to the 16th Circuit Court for entering a final judgment. While the judgment is not final, the Court has entered an interim ruling granting prejudgment interest in the amount of \$2.0 million. If an adverse final judgment is entered, we intend to Appeal the ruling.
- Fine v. Kansas City Life is a class action filed in the U.S. District Court for the Central District of California. The Court certified a class in November of 2023, the Court certified a class that includes current individuals who purchased certain universal life and variable universal life policies in the state of California and whose policies were active on or after January 1, 2002. The case is in discovery and trial is currently scheduled for late 2025. The Fine matter includes different defenses and matters of law than the other cases.
- McMillan v. Kansas City Life is a class action filed in the U.S. District Court for the District of Maryland. The Court certified a class in January of 2025 that includes 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,

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements – (Continued)

2022, and discovery is ongoing. The McMillan matter includes different defenses and matters of law than the other related cases.

- Van Zanten et al v. Kansas City Life is a putative class action filed in the U.S. District Court for the Western District of Missouri on February 12, 2025. The proposed class action includes current and former policyholders in a number of different states and relates to the cost of insurance charges under certain universal life policies similar to those involved in the other cases. The case is in its preliminary stages. We have not yet responded to the claims and the Court has not held any hearings on the matter. The Van Zanten et al matter includes different defenses and matters of law than the other related cases.
- Van Zanten v. Kansas City Life is a putative class action filed in the 16th Circuit Court for the State of Missouri (Jackson County) on February 12, 2025. The proposed class action includes current and former policyholders in a number of different states and relates to the cost of insurance charges under certain variable universal life policies similar to those involved in the other cases. The case is in its preliminary stages. We have not yet responded to the claims and the Court has not held any hearings on the matter. The Van Zanten matter includes different defenses and matters of law than the other related cases.

As referenced above, the classes certified in Meek, Fine, and McMillan class actions, 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, LowerMax, Ultra 20 (93), Competitor II, Executive II, Performer II, or Ultra 20 (96). The Fine and McMillan class action also include policyholders who purchased the Century II Variable Universal Life policy.

As of December 31, 2024, we have accrued liability for the Meek v. Kansas City Life matter as noted above. There can be no assurances as to the outcome of any of these matters, including those where a verdict has already been rendered and will be the subject of appeal, or that the accrued liability will be sufficient to cover our ultimate financial exposure associated with these matters. As a result, the amounts that may be required to be paid to discharge or settle one or more of these matters could have a material adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

22. Subsequent Events

We evaluated events that occurred subsequent to December 31, 2024 through March 4, 2025, the date the consolidated financial statements were issued, and have identified the following subsequent events.

On January 24, 2025, we paid an amount of \$48.5 million in satisfaction of the judgment in the case Karr v. Kansas City Life, a class action filed in the 16th Circuit Court for the State of Missouri (Jackson County). As previously disclosed, following a trial determining the damages, the jury rendered a verdict of \$28.4 million in favor of the plaintiffs. The Company and the plaintiffs had previously filed an appeal to the Missouri Court of Appeals, Western District, and the Court of Appeals had issued a ruling finding in favor of plaintiffs on their claim for prejudgment interest. The Missouri Supreme Court declined the Company's appeal to that body. The payment includes the damages amount, the prejudgment interest awarded by the Court of appeals, and post judgment interest. The Company does not believe the Jackson County Court's ruling on this issue will have a material effect on the outcome of similar cases. As a result of this outcome, the Company expects to recognize an additional tax benefit of approximately \$3.0 million in 2025 that was triggered by this payment.

On January 27, 2025, the Kansas City Life Board of Directors declared a quarterly dividend of \$0.14 per share, paid on February 12, 2025 to stockholders of record on February 6, 2025.

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 year ended December 31, 2024.

Independent Auditor's Report

***The Audit Committee and Stockholders
Kansas City Life Insurance Company
Kansas City, Missouri***

Opinion

We have audited the consolidated financial statements of Kansas City Life Insurance Company and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Kansas City Life Insurance Company and subsidiaries as of December 31, 2024 and 2023, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2024 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of Kansas City Life Insurance Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kansas City Life Insurance Company and subsidiaries' ability to continue as a going concern within one year after the date that these consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kansas City Life Insurance Company and subsidiaries' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kansas City Life Insurance Company and subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development information for the years 2015 through 2023 in Note 8 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

/s/ Forvis Mazars, LLP

Kansas City, Missouri
March 4, 2025

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.

The following is a discussion and analysis of the results of operations for the year ended December 31, 2024 and our financial condition at December 31, 2024. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in this document.

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, credit, equity, and inflation;
- Timely and cost-effective access to liquidity;
- Management of distribution costs and operating expenses;
- Management of the operations of our affiliates;
- Changes to regulations and accounting standards, including the ability to manage and effectively implement them;
- Management of closed blocks of business and blocks of business associated with reinsurance transactions;
- The ability to successfully resolve litigation;
- The ability to integrate acquisitions to achieve anticipated operating efficiencies;
- The ability to effectively manage the information technology landscape, including the mitigation of cybersecurity risks; and
- The ability to identify, adopt, and implement new technologies.

General economic conditions, which are highly uncertain and difficult to predict, may affect future results. Financial market volatility can significantly impact our investments, revenues, and policyholder benefits. Volatility and uncertainty 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. These conditions may persist into the future, affecting our financial position and financial statements.

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 DAC, VOBA, and 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;
- Potential changes in 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;
- The performance of third-party service providers and potential difficulties arising from outsourcing arrangements;
- Ineffectiveness of risk management policies and procedures in identifying, monitoring, and managing risks;
- 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. Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement that may be made from time to time, whether as a result of new information, future developments or otherwise, except as required by law.

Consolidated Results of Operations

Summary of Results

We incurred a net loss of \$5.0 million and net loss per share of \$0.51 in 2024. We earned net income of \$54.9 million and net income per share of \$5.67 in 2023.

The following table presents condensed consolidated results of operations for the years ended December 31.

	2024	2023	\$ Change	% Change
Revenues:				
Insurance and other revenues	\$ 326,847	\$ 339,226	\$ (12,379)	(4)%
Net investment income	164,616	157,641	6,975	4 %
Net investment gains (losses)	(676)	62,053	(62,729)	(101)%
Benefits and expenses:				
Policyholder benefits and interest credited to policyholder account balances	329,153	340,099	(10,946)	(3)%
Amortization of deferred acquisition costs	35,255	34,359	896	3 %
Operating expenses	132,705	115,152	17,553	15 %
Income tax expense (benefit)	(1,361)	14,390	(15,751)	(109)%
Net income (loss)	<u>\$ (4,965)</u>	<u>\$ 54,920</u>	<u>\$ (59,885)</u>	<u>(109)%</u>

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, for the years ended December 31. New premiums are also detailed by product.

	2024	2023	\$ Change	% Change
New premiums:				
Traditional life insurance	\$ 15,833	\$ 16,881	\$ (1,048)	(6)%
Immediate annuities	17,786	25,401	(7,615)	(30)%
Group life insurance	2,644	2,524	120	5 %
Group accident and health insurance	11,368	10,723	645	6 %
Total new premiums	47,631	55,529	(7,898)	(14)%
Renewal premiums	272,529	274,590	(2,061)	(1)%
Total premiums	320,160	330,119	(9,959)	(3)%
Reinsurance ceded	(123,797)	(118,953)	(4,844)	(4)%
Net premiums	<u>\$ 196,363</u>	<u>\$ 211,166</u>	<u>\$ (14,803)</u>	<u>(7)%</u>

Consolidated total premiums decreased \$10.0 million or 3% in 2024 compared to 2023, as new premiums declined \$7.9 million or 14% and renewal premiums declined \$2.1 million or 1%. The decline in new premiums largely resulted from a \$7.6 million or 30% decrease 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, which are included in immediate annuities, were \$3.0 million lower in 2024 than in 2023. In addition, new traditional life insurance premiums decreased \$1.0 million or 6% compared to the prior year. Partially offsetting these, new group accident and health premiums increased \$0.6 million or 6%, primarily from the dental line of business. The decline in renewal premiums was largely due to a \$4.3 million or 2% decrease in renewal traditional life insurance premiums. Partially offsetting this, renewal group accident and health insurance premiums increased \$2.1 million or 4%, reflecting increases in all lines of business.

Reinsurance ceded premiums increased \$4.8 million or 4% in 2024 compared to 2023, partially reflecting increased ceded premiums of \$2.8 million or 25% at the Old American segment versus the prior year, largely due to the reinsurance agreement that became effective January 1, 2022 that reinsures new business on selected products. In addition, the recapture of reinsurance of \$1.8 million in the prior year also contributed to higher reinsurance ceded premiums in 2024 compared to 2023.

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 for the years ended December 31. New deposits are also detailed by product. While the disclosure of deposits is standard industry practice, it is considered a non-GAAP measure.

	2024	2023	\$ Change	% Change
New deposits:				
Interest sensitive life	\$ 6,063	\$ 9,175	\$ (3,112)	(34)%
Fixed annuities	48,178	47,362	816	2 %
Variable annuities	5,576	5,621	(45)	(1)%
Total new deposits	59,817	62,158	(2,341)	(4)%
Renewal deposits	130,729	133,413	(2,684)	(2)%
Total deposits	\$ 190,546	\$ 195,571	(5,025)	(3)%
Reinsurance ceded	(4,777)	(3,797)	(980)	(26)%
Net deposits	\$ 185,769	\$ 191,774	\$ (6,005)	(3)%

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, general economic conditions have affected both new and renewal deposits.

Total new deposits declined \$2.3 million or 4% in 2024 compared to 2023. New interest sensitive life deposits decreased \$3.1 million or 34%, largely from lower indexed universal life deposits. Partially offsetting this decline, new fixed annuity deposits increased \$0.8 million or 2%. Total renewal deposits decreased \$2.7 million or 2% in 2024 versus the prior year, reflecting a \$2.7 million or 2% decline in renewal interest sensitive life deposits and a \$1.5 million or 25% decline in renewal variable annuity deposits that were partially offset by a \$1.5 million or 17% increase in renewal fixed annuity deposits. The decline in renewal interest sensitive life deposits resulted from decreases in renewal universal life and variable universal life deposits that were partially offset by an increase in renewal indexed universal life deposits.

Contract charges result from charges and fees on interest-sensitive and deposit-type products. Contract charges consist of cost of insurance, expense loads, the amortization of unearned revenues, and surrender charges 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 \$2.2 million or 2% in 2024 compared to 2023. Contract charges on open blocks increased \$2.5 million or 3% in 2024 compared to the prior year, primarily from higher deferred revenue. Contract charges on closed blocks decreased \$0.3 million or 1% versus the prior year, reflecting the runoff of the blocks of business. Total contract charges on closed blocks equaled 40% of total consolidated contract charges during 2024, down from 41% in 2023.

Investment Revenues

The following table provides net investment income classified by income associated with invested assets and income associated with deposit-type reinsurance for the years ended December 31.

	2024	2023	\$ Change	% Change
Gross investment income - invested assets	\$ 162,513	\$ 157,607	\$ 4,906	3 %
Less investment expenses	(12,582)	(16,427)	3,845	23 %
Net investment income - invested assets	149,931	141,180	8,751	6 %
Net investment income - deposit-type reinsurance	14,685	16,461	(1,776)	(11)%
Net investment income	<u>\$ 164,616</u>	<u>\$ 157,641</u>	<u>\$ 6,975</u>	4 %

Net investment income from invested assets increased \$8.8 million or 6% in 2024 compared with 2023. This result reflected an increase in overall yields earned on certain investments and higher average invested assets. Our earned book yield was 4.3% in 2024 compared to 4.2% in 2023.

Fixed maturity securities provide a majority of our investment income. Gross investment income from these investments increased \$8.6 million or 8% in 2024 compared to 2023, reflecting higher overall yields earned and higher average invested assets. The increase in gross investment income has been aided by higher yields available from the reinvestment of proceeds on fixed maturities, calls, and sales over the past two years and the reinvestment of proceeds from real estate sales.

Gross investment income from commercial mortgage loans increased \$2.4 million or 10% in 2024 versus one year earlier, largely from an increase in yields earned on new mortgage loans and an increase in prepayment fees.

Net investment income from real estate declined \$5.2 million or 74% in 2024 compared to the prior year. This result was impacted by the real estate properties that were sold during the fourth quarter of 2023.

Net investment income resulting from the runoff of the block of deposit-type reinsurance business was \$14.7 million in 2024 compared to \$16.5 million in 2023.

Investment Gains (Losses)

Net investment losses for 2024 totaled \$0.7 million compared to net investment gains of \$62.1 million for 2023. The sale of investment securities resulted in a net gain of \$0.1 million in 2024 compared to a net loss of \$6.3 million in 2023. There were no significant real estate sales in 2024, compared to a net gain of \$63.8 million in 2023. In 2023, we closed three separate real estate sales, in which we sold real estate with a combined book value of \$43.1 million for a total of \$107.0 million. In addition, we recognized an intent-to-sell impairment of \$4.8 million as of December 31, 2024. The Company sold fixed maturity securities subsequent to December 31, 2024, but prior to the date the consolidated financial statements were issued. These fixed maturity securities were in an unrealized loss position, with no credit loss recognized. The securities were sold in conjunction with a legal settlement that occurred subsequent to the reporting date that resulted in a change in the Company's intent to sell these securities. For additional information, please see Note 22 - Subsequent Events.

Policyholder Benefits

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

Policyholder benefits decreased \$15.4 million or 6% in 2024 compared to 2023. The largest factor in this result was a \$15.3 million decrease in benefit and contract reserves. Contributing to the decrease in benefit and contract reserves was the change in the fair value of the indexed universal life embedded derivatives compared to the prior year. The change in the fair value of indexed universal life embedded derivatives that is recorded in benefit and contract reserves is mostly offset by the change in the fair value in derivative assets that is recorded in realized gains (losses) in the Consolidated Statements of Comprehensive Income. In addition, annuity and supplementary contract reserves declined, reflecting lower annuity premiums and supplemental contract considerations. Also contributing to the decrease in policyholder benefits was a \$1.4 million or 1% decline in death benefits, net of reinsurance compared to the prior year. Partially offsetting the decreases in benefit and contract reserves and death benefits, other benefits, net of reinsurance, increased \$1.0 million or 1% versus the prior year. The largest factor in the increase in other benefits, net of reinsurance, was higher group accident and health benefits, primarily from the dental line of business.

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, which are significantly impacted by rates available in the market. As account balances fluctuate, so will the amount of interest credited to policyholder account balances. Interest credited to policyholder account balances increased \$4.5 million or 6% in 2024 compared to 2023. This increase largely resulted from higher index credits for the indexed universal life product, which are offset in part by hedge asset returns.

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 increased \$17.6 million or 15% in 2024 compared to 2023. Operating expenses were higher in 2024, largely due to a legal reserve of \$21.1 million established in the fourth quarter. For additional information, please see Note 21 - Contingent Liabilities. In addition, outside labor and consulting fees increased, largely from significant efforts in the modernization of our administrative systems and efforts to support the conversion to new accounting standards. Partially offsetting these were lower employee compensation expenses, including decreased expenses accrued related to the impact of the fluctuation in market rates on various employee benefits, and reduced legal fees.

Income Taxes

We recorded an income tax benefit of \$1.4 million or 22% of income before tax in 2024. We recorded an income tax expense of \$14.4 million or 21% of income before tax in 2023. The decrease in income tax expense for 2024 was primarily related to a decrease in realized gains and pre-tax income compared to 2023. The increase in the effective tax rate in 2024 was primarily due to permanent taxable differences, including meals and entertainment costs, exceeding permanent deductible differences including dividends received deductions and tax credit benefits.

The effective income tax rate was higher than the prevailing corporate federal income tax rate of 21% for 2024. The effective income tax rate was equal to the prevailing corporate federal income tax rate of 21% for 2023. The higher effective income tax rate for 2024 was due to lower pretax income and lower deductible permanent differences in 2024 relative to 2023.

Analysis of Investments

This analysis of investments should be read in conjunction with Note 3 - Investments in the Notes to Consolidated Financial Statements.

The following table provides asset class detail of the investment portfolio at December 31.

	2024	% of Total	2023	% of Total
Fixed maturity securities	\$ 2,350,032	73 %	\$ 2,352,043	72 %
Equity securities	819	— %	845	— %
Mortgage loans	575,068	18 %	592,328	18 %
Real estate	96,867	3 %	98,042	3 %
Policy loans	84,913	3 %	84,025	3 %
Short-term investments	64,917	2 %	91,569	3 %
Other investments	48,825	1 %	27,488	1 %
Total	<u>\$ 3,221,441</u>	<u>100 %</u>	<u>\$ 3,246,340</u>	<u>100 %</u>

Fixed maturity securities were the largest component of our total investments at December 31, 2024 and December 31, 2023. Fixed maturity securities increased from 72% of total investments at December 31, 2023 to 73% of total investments at December 31, 2024. The largest categories of fixed maturity securities at December 31, 2024 consisted of 73% in corporate obligations, 11% in municipal securities, and 11% in asset-backed securities and collateralized loan obligations. We had 27% of the fixed maturity securities in private placements at both December 31, 2024 and December 31, 2023. The use of private placements offers an enhancement to our portfolio returns by providing access to higher yielding securities that 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 were 99% at both December 31, 2024 and December 31, 2023.

The fair value of fixed maturity securities with unrealized losses was \$1.8 billion at December 31, 2024, compared with \$1.7 billion one year earlier. This increase was primarily due to changes in interest rates and market spreads subsequent to purchase. At both December 31, 2024 and December 31, 2023, 99% of security investments with an unrealized loss were investment grade and accounted for 99% of the total unrealized losses.

At December 31, 2024, we had \$231.5 million in gross unrealized losses on fixed maturity securities that offset \$12.7 million in gross unrealized gains. At December 31, 2023, we had \$207.0 million in gross unrealized losses on fixed maturity securities that offset \$23.7 million in gross unrealized gains. At December 31, 2024, 25% of the fixed maturity securities portfolio had unrealized gains compared to 26% at December 31, 2023. Gross unrealized losses on fixed maturity securities for less than 12 months totaled \$11.1 million and accounted for 21% of the security values in a gross unrealized loss position at December 31, 2024. Gross unrealized losses on fixed maturity securities of 12 months or longer increased from \$204.4 million at December 31, 2023 to \$220.4 million at December 31, 2024.

Investments in mortgage loans totaled \$575.1 million at December 31, 2024, compared to \$592.3 million at December 31, 2023. The commercial mortgage loan portfolio decreased \$17.2 million during 2024, as the demand for longer term fixed rate loans has decreased due to an increase in borrowing costs. 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 and was \$1.4 million at December 31, 2024 compared to \$1.6 million at December 31, 2023. For additional information on our mortgage loan portfolio, please see Note 3 - Investments.

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, sales and maturities of investments, and investment income. We have access to additional liquidity through our ability to borrow on a collateralized basis from the FHLB. We also 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.

Net cash used from operating activities was \$58.4 million for the year ended December 31, 2024. The primary sources of cash from operating activities in 2024 were premium receipts and net investment income. The primary uses of cash from operating activities in 2024 were for the payment of policyholder benefits and operating expenses. Net cash used from investing activities was \$13.0 million for the year ended December 31, 2024. The primary sources of cash were sales, maturities, calls, and principal paydowns of investments totaling \$273.7 million. Offsetting these, investment purchases, including new mortgage loans and new policy loans, totaled \$313.4 million. In addition, net sales of short-term investments totaled \$26.7 million for the year ended December 31, 2024. Net cash provided by financing activities was \$69.8 million for the year ended December 31, 2024, and included a \$56.6 million change in deposit asset on reinsurance, \$20.0 million of receipts from funding agreements, \$4.7 million of deposits, net of withdrawals, on policyholder account balances, and \$0.7 million of net transfers from separate accounts. These were partially offset by a \$6.8 million change in other deposits and the payment of \$5.4 million in stockholder dividends.

Capital Resources

We believe existing capital resources provide adequate support for the current level of business activities, as identified in the following table at December 31.

	2024	2023
Total assets, excluding separate accounts	\$ 4,605,534	\$ 4,657,216
Total stockholders' equity	581,449	609,357
Ratio of stockholders' equity to assets, excluding separate accounts	13%	13%

Stockholders' equity decreased \$27.9 million from year-end 2023, primarily due to an increase in net unrealized losses, reflecting higher interest rates during 2024, and a decrease in net income. Stockholders' equity per share, or book value, equaled \$60.05 at year-end 2024, a decrease from \$62.93 at year-end 2023.

Net unrealized losses on available for sale securities, which are included as part of Accumulated Other Comprehensive Income (Loss) and as a component of Stockholders' Equity (net of related taxes, policyholder account balances, future policy benefits, DAC, VOBA, and DRL), totaled \$156.9 million at December 31, 2024, a \$24.7 million increase from net unrealized losses of \$132.2 million at December 31, 2023. The increase in unrealized losses reflected higher interest rates at December 31, 2024 compared to December 31, 2023.

The Company has advance funding agreements with the FHLB. These funds are used in an investment spread arbitrage program. Interest earned from this program was \$8.1 million during 2024 and \$7.2 million during 2023. Interest is credited based on variable rates set by the FHLB. Total obligations outstanding under these agreements, which mature between 2026 and 2029, were \$120.0 million at December 31, 2024 and \$100.0 million at December 31, 2023, and are reported as Policyholder Account Balances in the Consolidated Balance Sheets. Accrued interest totaled \$0.8 million at December 31, 2024 and \$1.1 million at December 31, 2023. Cash interest payments were \$6.5 million during 2024 and \$5.3 million during 2023.

In the normal course of business, we have open purchase and sale commitments. At December 31, 2024, we had commitments to fund investments in private alternative investment funds of \$54.9 million and mortgage loans of \$9.3 million. Subsequent to December 31, 2024, we entered into commitments to fund additional mortgage loans of \$4.2 million.

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. See further discussion in Note 19 - Statutory Information and Stockholder Dividends Restriction.

In January 2025, the Board of Directors authorized the purchase of up to one million of our shares on the open market through January 2026. No shares were purchased under this authorization during 2024 or 2023. The timing and amount of any share repurchases will be determined by our management based on market conditions and other factors.

On January 27, 2025, the Board of Directors declared a quarterly dividend of \$0.14 per share that was paid February 12, 2025 to stockholders of record at February 6, 2025.

Minimum Rate Guarantees

Our rate guarantees for those products with minimum crediting rate provisions are identified in the following table. The actual interest rate credited to these products may be greater than the guaranteed rates, particularly for products having been sold more recently and within the lower guaranteed rate categories. Approximately 72% of total policyholder account balances were at the minimum guaranteed rate at December 31, 2024 and 74% at December 31, 2023.

December 31, 2024					
	Fixed Annuities	Universal Life	Variable Life and Annuities	Supplemental Contracts and Annuities Without Life Contingencies	Total
0% to 1%	\$ 175,870	\$ 126,043	\$ 2,885	\$ 1,085	\$ 305,883
Greater than 1% to 3%	370,499	313,227	80,672	20,233	784,631
Greater than 3% to 4%	270,329	269,433	7,123	14,622	561,507
Greater than 4%	40,060	326,705	—	14,975	381,740
Total	<u>\$ 856,758</u>	<u>\$ 1,035,408</u>	<u>\$ 90,680</u>	<u>\$ 50,915</u>	<u>\$ 2,033,761</u>
December 31, 2023					
	Fixed Annuities	Universal Life	Variable Life and Annuities	Supplemental Contracts and Annuities Without Life Contingencies	Total
0% to 1%	\$ 207,603	\$ 114,671	\$ 3,226	\$ 2,445	\$ 327,945
Greater than 1% to 3%	348,110	314,556	91,353	26,181	780,200
Greater than 3% to 4%	296,357	278,933	7,291	17,003	599,584
Greater than 4%	42,868	337,644	—	10,397	390,909
Total	<u>\$ 894,938</u>	<u>\$ 1,045,804</u>	<u>\$ 101,870</u>	<u>\$ 56,026</u>	<u>\$ 2,098,638</u>

Effective April 1, 2022, the Company reinsured a block of fixed annuity business with an average crediting rate of 3.75% to a certified domestic reinsurer. The contract reinsured \$516.2 million in policyholder account balance liabilities and created a deposit asset on reinsurance. The above table includes those amounts on a gross basis. The Deposit Asset on Reinsurance balance included in the Consolidated Balances Sheets was \$377.5 million at December 31, 2024 and \$419.4 million at December 31, 2023.

Fixed Annuity Contracts

Fixed annuity contracts accumulate deposits over time with interest credited. Deposits may be flexible or single-premium. The timing and magnitude of outgoing cash flows from these contracts is dependent upon many factors, primarily due to contract owner rights to surrender or annuitize the policy value during the term of the contract and benefit options that are provided upon death. We make estimates and projections of future cash flows on fixed annuities based upon the economic environment, ranges of future economic changes, and historical contract holder behavior.

The term of the contract is dependent upon the individual needs and decisions of contract owners up to and including the time of contractual maturity. The maturity of the contract is typically determined by a combination of the duration of ownership of the contract and the annuity owner's age. Deferred annuity contract owners with upcoming annuity maturities receive communication from us regarding the various maturity settlement options that are available in the contract. The communication can result in extension of the contract maturity date, surrender of the contract prior to maturity, or conversion of the contract to other contract or policy types. Conversions typically involve payment of the contract value over time and often with life contingencies.

The following table provides fixed annuity contract values within maturity date ranges as of December 31. The values and date ranges provided below do not necessarily represent our expected outflow of funds from these contracts, as these cash flows may be significantly impacted by the needs and decisions of the contract owners.

	2024	% of Total	2023	% of Total
One year or less	\$ 97,064	11 %	\$ 169,136	19 %
Two years	73,245	9 %	37,121	4 %
Three years	57,054	7 %	47,834	5 %
Four years	47,410	5 %	64,382	7 %
Five years	40,211	5 %	52,315	6 %
Six years or more	541,774	63 %	524,150	59 %
Total	<u>\$ 856,758</u>	<u>100 %</u>	<u>\$ 894,938</u>	<u>100 %</u>

Fixed annuity contracts typically also contain provisions for charges to be paid by contract holders if the contract is surrendered within a fixed period of time after purchase. The surrender charge typically declines on an annual basis during an initial term of ten or fewer years. The magnitude of any surrender charge applicable to a contract is believed to impact policyholder behavior and the timing of future cash flows. The following table provides the policy values for fixed annuities by summary ranges of applicable surrender charges as of December 31.

	2024	% of Total	2023	% of Total
None	\$ 496,009	58 %	\$ 535,525	60 %
Less than 5%	177,261	21 %	175,880	20 %
5% and greater	183,488	21 %	183,533	20 %
Total	<u>\$ 856,758</u>	<u>100 %</u>	<u>\$ 894,938</u>	<u>100 %</u>

As previously mentioned, the Company reinsured a block of fixed annuity business to a certified domestic reinsurer effective April 1, 2022. The contract reinsured \$516.2 million in policyholder account balance liabilities and created a deposit asset on reinsurance. The Deposit Asset on Reinsurance balance included in the Consolidated Balances Sheets was \$377.5 million at December 31, 2024 and \$419.4 million at December 31, 2023.

Asset/Liability Management

Our asset/liability management programs and procedures involve the monitoring of asset and liability durations for various product lines, cash flow testing under various interest rate scenarios to evaluate the potential sensitivity of assets and liabilities to interest rate movements, and the continuous rebalancing of assets and liabilities with respect to yield, risk, and cash flow characteristics.

We believe our asset/liability management programs and procedures, along with certain product features, provide protection for us against the effects of changes in interest rates under various scenarios.

Cash flows and effective durations of the asset and liability portfolios are measured at points in time and are affected by changes in the level and term structure of interest rates, as well as changes in policyholder behavior. Further, durations are managed on an individual product level, and an aggregate portfolio basis. As a result, differences typically exist between the duration, cash flows, and yields of assets versus liabilities on an individual portfolio and aggregate basis. Our asset/liability management programs and procedures enable management to monitor the changes, which have varying correlations among certain portfolios, and to make adjustments to asset mix, liability crediting rates, and product terms so as to manage risk and profitability over time.

We aggregate similar policyholder liabilities into portfolios and then match specific investments with these liability portfolios. In 2024 and 2023, all of our portfolios had investment yields near or in excess of crediting rates on matched liabilities. We monitor the risk to portfolio investment margins on an ongoing basis.

We perform cash flow scenario testing through models of our in force business. These models reflect specific product characteristics and include assumptions based on current and anticipated experience regarding the relationships between short-term and long-term interest rates (i.e., the slope of the yield curve), credit spreads, market liquidity, and other factors, including policyholder behavior in certain market conditions. In addition, these models include asset cash flow projections, reflecting interest payments, sinking fund payments, scheduled principal payments, and optional bond calls and prepayments.

The risk exists that our asset or liability portfolio performance may differ from forecasted results as a result of unforeseen economic circumstances, estimates or assumptions that prove incorrect, unanticipated policyholder behavior, or other factors. The result of such deviation of actual versus expected performance could include excess or insufficient liquidity in future periods. Excess liquidity, in turn, could result in reduced profitability on one or more product lines. Insufficient liquidity could result in the need to generate liquidity through borrowing, asset sales, or other means. We believe that our asset/liability management programs will provide sufficient liquidity to enable us to fulfill our obligation to pay benefits under our various insurance and deposit contracts. On a historical basis, we have not needed to liquidate assets to ensure sufficient cash flows. We maintain borrowing lines on a secured and unsecured basis to provide additional liquidity, if needed.

Risk Factors

The operating results of life insurance companies have historically been subject to significant fluctuations. The factors which could affect our future results include, but are not limited to, general economic conditions and the known trends and uncertainties which are discussed more fully below.

Strategic and Operational Risks:

We operate in a mature and highly competitive industry, which could limit our ability to grow sales or maintain our position in the industry and negatively affect profitability.

Life insurance is a mature and highly competitive industry. We encounter significant competition in all lines of business from other insurance companies, many of which may have greater financial resources, a greater market share, a broader range of products, lower product prices, better name recognition, greater actual or perceived financial strength, higher claims-paying ratings, the ability to assume a greater level of risk, lower operating or financing costs, or lower profitability expectations.

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry, resulting in increased competition from large, well-capitalized financial services firms. Furthermore, many of these larger competitors may have lower operating costs and an ability to absorb greater risk while maintaining their financial strength ratings, thereby allowing them to price their products more competitively.

Changes in demographics, particularly the aging of the population, and the decline in the number of agents in the industry, may affect the sale of life insurance products. Also, as technology evolves, customers and agents may be able to compare products of any particular company with any other, which could lead to increased competition as well as changes in agent or customer behavior, including persistency, that differs from past behavior.

We may be unable to attract and retain agencies and agents.

We sell insurance and annuity products through independent agents and agencies. These agencies and agents are not captive and may sell products of our competitors. Sales and our financial results could be adversely affected if we are unsuccessful in attracting agencies and agents. Our ability to retain agents and agencies is dependent upon a number of factors, including: our ability to maintain a competitive compensation system while also offering products with competitive features and benefits for policyholders; our ability to maintain a level of service and assistance that effectively supports the needs of agents and agencies; and our ability to approve and monitor sales and business practices of agents and agencies that are consistent with regulatory requirements and our expectations.

We may not be able to attract and retain quality employees.

Our success is dependent upon our ability to attract, engage, and retain quality employees and to maintain optimal staffing levels. Competition to attract and retain quality employees is high and it has become more challenging to fill open positions in the current environment. Costs to recruit and retain employees could rise significantly. The unexpected loss of services of one or more of the Company's key personnel or a significant reduction in key operational or support areas could have a material adverse effect on the Company's operations due to the unique skills, and cumulative knowledge of our business, years of industry experience and the potential difficulty of quickly finding qualified replacements. The Company has historically managed to sustain lower employee turnover levels and has retained valued employees with longer periods of experience in the Company's products, business and systems. However, as these individuals attain retirement age, the Company is exposed to the loss of proprietary knowledge in many of its key technical and operational areas. In addition, the Company's executive officers are not subject to employee contracts. Our ability to attract and retain employees is dependent on a number of factors such as competitive compensation and benefits, a dynamic culture, a hybrid work environment, and our reputation.

Our results may be negatively affected should actual experience differ from management's assumptions and estimates.

We make certain assumptions regarding mortality, persistency, expenses, interest rates, tax liability, business mix, policyholder behavior, and other factors appropriate for the type of business results we expect to experience in future periods. These factors are also used to estimate the amounts of DAC, VOBA, DRL, policy reserves and accruals, future earnings, and various components of our financial statements. Assumptions are used in the operations of our business in making decisions that are crucial to our success, including the pricing of products and expense structures relating to products. Our actual experience and changes in estimates are reflected in our financial statements. Our actual experience may vary from period to period and from established assumptions, potentially resulting in variability in the financial statements.

We establish and carry a reserve liability based on current estimates of how much will be needed to pay for future benefits and claims. The assumptions and estimates used in connection with establishing and carrying reserves are inherently uncertain and

in some cases are mandated by regulators, irrespective of a company's actual experience. If actual experience is significantly different from assumptions or estimates or if regulators decide to increase or change regulations, current reserves may prove to be inadequate in relation to estimated future benefits and claims. As a result, a charge to earnings would be incurred in the quarter in which we change reserves.

The calculations we use to estimate various components of our financial statements are complex and involve analyzing and interpreting large quantities of data. We employ various techniques for such calculations and from time to time will develop and implement more sophisticated systems and procedures to facilitate calculations and improve estimates. Accordingly, our financial results may be affected, positively or negatively, by actual results differing from assumptions, by changes in estimates, and by changes resulting from implementing new administrative systems and procedures.

We may face difficult economic conditions that could adversely affect our operations.

Market factors, including inflation, changes in interest rates, consumer spending, government actions, market volatility, recession, and disruptions and strength of the capital markets may result in investment losses, changes in insurance liabilities, increased counterparty risks, impairments, increased valuation allowances, increases in reserves, reduced net investment income and changes in unrealized gain or loss positions.

Inflation risk is the risk that inflation will undermine the performance of an investment, the value of an asset, or the purchasing power of a stream of income. In periods of elevated inflation, the sales and persistency of insurance products may be negatively impacted. In addition, the cost of various selling and general operating expenses may increase during periods of high inflationary pressure.

In addition, higher unemployment, lower personal income, lower corporate earnings, lower consumer spending, elevated incidence of claims, lapses or surrenders of policies, reduced demand for our products, and deferred or canceled payments of insurance premiums may negatively affect our operating results.

Risk management policies and procedures may not be fully effective and could leave us exposed to unidentified or unanticipated risk, which could negatively affect business or result in losses.

We have devoted significant resources to develop risk management policies and procedures and will continue to do so in the future. However, the policies and procedures that we use to identify, monitor, and manage risks may not be fully effective. Many of the methods of managing risk and exposure are based upon the use of observed historical policyholder and market behavior or statistics based on historical models. As a result, these methods may not effectively or fully identify or evaluate the magnitude of existing or future exposure, which could be significantly greater than the historical measures or our evaluation indicate. Other risk management methods depend upon the evaluation of information regarding markets, agents, clients, catastrophe occurrence, or other matters that are publicly available or otherwise accessible. This information may not always be accurate, complete, up-to-date, or properly evaluated. Management of operational, legal, and regulatory risks requires policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective. Additional risks and uncertainties not currently known or that we currently deem to be immaterial may adversely affect our business and/or our financial statements.

A rating downgrade could adversely affect our ability to compete and increase the number or value of policies surrendered.

Our financial strength rating, which is intended to measure our ability to meet policyholder obligations, may be an important consideration affecting public confidence in some of our products and, as a result, our competitiveness. A downgrade in our rating could adversely affect our ability to sell products, retain existing business, and compete for attractive acquisition opportunities. Rating organizations assign ratings based upon several factors. While most of the factors relate to the rated company, some of the factors relate to the views of the rating organization, general economic conditions, and circumstances outside the rated company's control. We cannot predict what actions rating organizations may take or what actions we may be required to take in response to the actions of the rating organizations.

Projected operating results for acquisitions may not be achieved and the ability to integrate acquisitions and achieve anticipated operating efficiencies may not be successful.

Actual operating results may vary significantly from projected results of acquired companies and blocks of business. Projected operating results are estimates of future results based on assumptions made by management at the time of the acquisition. General economic, political, and market conditions may have a material impact on the reliability of these projections. We may not be able to realize the projected value of acquired assets or we may underestimate the value of the liabilities assumed. Our financial position and results of operations could be negatively impacted if the projections are materially inaccurate. This could result in the write-down of acquired assets, impairment to goodwill, impairment to intangible assets, increases to assumed liabilities, and other negative impacts to our financial statements.

We may not achieve efficient operational integration of acquisitions or may not achieve operating efficiencies that were projected at the time of acquisition. Failure to achieve either or both of these could result in increased expenses and negatively impact our financial position and results of operations.

Reinsurance Risks:

Our reinsurers could fail to meet assumed obligations or be subject to adverse developments that could impact us.

We follow the insurance practice of reinsuring a portion of the risks under the policies we issue, known as ceding. We cede significant amounts of insurance to other insurance companies through reinsurance. This reinsurance makes the assuming reinsurer liable to us for the reinsured portion of the risk. However, reinsurance does not discharge us from our primary obligation to pay policyholders for losses insured under the policies that are issued. Therefore, we are subject to the credit risk of our reinsurers. The failure of one or more of our reinsurers could negatively impact our financial position or financial statements.

Our ability to compete is dependent on the availability of reinsurance, cost of reinsurance, or other substitute capital market solutions.

The premium rates we charge are based, in part, on the assumption that reinsurance will be available at a certain cost. Under certain reinsurance agreements, the reinsurer may increase the rate it charges us for the reinsurance. Therefore, if the cost of reinsurance were to increase for existing business, if reinsurance were to become unavailable for new business, or if alternatives to reinsurance were not available, we may be exposed to reduced profitability and cash flow strain, or we may not be able to sell or price new business at competitive rates.

In recent years, the number of life reinsurers has decreased as the reinsurance industry has consolidated. The decreased number of participants in the life reinsurance market results in increased concentration risk for insurers. If the reinsurance market further contracts, our ability to continue to offer our products on terms favorable to us could be adversely impacted.

Investment Risks:

Our investments are subject to market, credit, and inflation risks.

We hold a diversified portfolio of investments that primarily includes fixed maturity securities, mortgage loans, and real estate. Each of these investments is subject, in varying degree, to market risks that can affect their return and their fair value.

Our invested assets, primarily including fixed maturity securities, are subject to customary risks of credit defaults and changes in fair value. The value of our mortgage loan and real estate portfolios also depends on the financial condition of the borrowers and tenants occupying the properties which we have financed and changes in the real estate market. Factors that may affect the overall default rate on and fair value of our invested assets include interest rate levels and changes, availability and cost of liquidity, financial market performance, changes in collateral values, state and federal regulations, and general economic conditions, as well as particular circumstances affecting the properties or businesses of individual borrowers and tenants. Our real estate investments are concentrated in commercial real estate, and we may be subject to heightened risks associated with a lack of diversification in our real estate investments.

Our investments are exposed to varying degrees of credit risk. Credit risk is the risk that the value of the investment may decline due to deterioration in the financial strength of the issuer and that the timely or ultimate payment of principal or interest might not occur. A default by an issuer usually involves some loss of principal to the investor. Losses can be mitigated by timely sales of affected securities or by active involvement in a restructuring process. However, there can be no assurance that the efforts of an investor will lead to favorable outcomes in a bankruptcy or restructuring.

We attempt to mitigate credit risk by diversifying the investment portfolio across a broad range of issuers, property types, geographic locations, investment sectors and security types, and by limiting the amount invested in any particular entity. We also invest in securities collateralized or supported by physical assets, guarantees by insurers or other providers of financial strength, and other sources of secondary or contingent payment. These securities can improve the likelihood of payment according to contractual terms and increase recovery amounts in the case of issuer default, bankruptcy, or restructuring.

Inflation erodes the value of fixed rate assets. When inflation increases, the value of the fixed interest payments on bonds decreases. As a result, investors demand higher yields on fixed income bonds to compensate for the risk of inflation eroding the purchasing power of the bond's returns. Increasing rates of inflation could lead to significant increases in unrealized losses on investments.

Interest rate fluctuations could negatively affect our spread income or otherwise impact our business.

Interest rate fluctuations or sustained low interest rate environments could negatively affect earnings because the profitability of certain products depends in part on interest rate spreads. These products include fixed annuities, single premium immediate annuities, interest-sensitive whole life, universal life, and the fixed portion of variable universal life insurance and variable annuity business. In addition, we offer riders, including guaranteed minimum withdrawal benefits and guaranteed minimum death benefits. Changes in interest rates or sustained low interest rate environments may reduce both the profitability and the return on invested capital.

Some of our products, principally fixed annuities, interest-sensitive whole life, universal life, and the fixed portion of variable universal life insurance and variable annuity business, have interest rate guarantees that expose us to the risk that changes in interest rates will reduce the spread, or the difference between the amounts we are required to credit to policyholder contracts and the amounts earned on general account investments. Because many of our policies have guaranteed minimum interest or crediting rates, spreads could decrease and potentially become negative. Declines in spread or instances where the returns on the general account investments are not sufficient to support the interest rate guarantees on these products could have a material adverse effect on our financial statements. In periods of declining interest rates, we may have to reinvest the cash received from interest or return of principal on investments in lower yielding instruments then available. Moreover, issuers of fixed income investment securities and borrowers related to our commercial mortgage investments may prepay these obligations in order to borrow at lower market rates, which may increase our risk to have to reinvest at lower rates.

In periods of increasing interest rates, we may not be able to replace the assets in the general account with higher yielding assets needed to fund the higher crediting rates that may be necessary to keep interest sensitive products competitive. Therefore, we may have to accept a lower spread and profitability or face a decline in sales, loss of existing contracts from non-renewed maturities, early withdrawals, or surrenders. Increases in interest rates may cause increased surrenders of insurance products. In periods of increasing interest rates, policy loans and surrenders and withdrawals of life insurance policies and annuity contracts may increase, as policyholders seek to buy products with higher returns. These outflows may require investment assets to be sold at a time when the prices of those assets are lower because of the increase in market interest rates, which may result in realized investment losses. Increases in interest rates may also negatively affect the value of our real estate investments. Further, higher interest rates may result in significant unrealized losses on investments. These net unrealized losses could have a negative effect on stockholders' equity. This could negatively impact the ability to pay policyholder and stockholder dividends. In addition, higher interest rates may reduce the fair value of policyholders' separate account investments, which may reduce our revenues from asset-based management fees.

While we develop and maintain asset/liability management programs and procedures designed to identify and mitigate the effect on spread income in rising or falling interest rate environments, no assurance can be given that changes in interest rates will not affect such spreads or that our evaluation of fluctuations will be correct or allow for timely modifications. Additionally, our asset/liability management programs incorporate assumptions about the relationship between short-term and long-term interest rates (i.e., the slope of the yield curve) and relationships between risk-adjusted and risk-free interest rates, market liquidity, and policyholder behavior in periods of changing interest rates and other factors. The effectiveness of our asset/liability management programs and procedures may be negatively affected whenever actual results differ from these assumptions.

Prolonged periods of low interest rates can affect policyholder behavior and negatively impact earnings.

As interest rates decline, policyholders may become more likely to extend the retention or duration of fixed-rate products previously purchased and may seek alternatives to fixed-rate products for new purchases. Policyholders may add premiums or deposits to existing policies or contracts with terms upon which we are no longer offering on new products. Many of the products sold in earlier periods may have minimum guaranteed interest crediting rates or other features that are greater than those being offered in a low interest rate environment. Additionally, cash flows from existing investments, including interest and principal payments, may be reinvested at lower interest rates relative to prior periods. As a result, a prolonged low interest rate environment can result in significant changes to cash flows, lower investment income, compressed product spreads, reduced earnings, and statutory surplus strain. In addition, we may change our risk profiles in regards to selecting investment opportunities to reduce the impact on earnings.

The change from a low interest rate environment to an environment of increasing interest rates can affect policyholder behavior and negatively impact earnings.

The change from a period of low interest rates to a period of significantly higher and increasing interest rates may cause policyholders to surrender policies or to make early withdrawals in order to maximize their returns. Accordingly, we may become more susceptible to increased surrenders and withdrawals on policies, as surrender charges and other features that help protect us from increased or unexpected policyholder withdrawals or lapses are ineffective. Increases in policyholder surrenders, withdrawals, or lapses could negatively affect our operating results and liquidity.

Our valuation of fixed maturity and equity securities includes estimations and assumptions and could result in changes to investment valuations that may have a material adverse effect on our financial statements.

Fixed maturity securities, equity securities, and short-term investments are reported at fair value in the Consolidated Balance Sheets and represent the majority of total cash and invested assets. During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain securities if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were previously acquired and valued in active markets with significant observable data that will be valued in illiquid markets with little observable data. As such, valuations may include inputs and assumptions that are less observable or require greater estimation as well as valuation methods which are more complex or require increased estimation, thereby resulting in values which may have greater variance from the value at which the investments may or could be ultimately sold. Further, rapidly changing credit and equity market conditions could materially impact the valuation of securities as reported in the consolidated financial statements, and the period to period changes in value could vary significantly. Decreases in value could have a material adverse effect on our financial statements.

Equity market volatility could negatively impact our profitability.

We are exposed to risk arising from equity market volatility in the following ways:

- We have exposure to equity price risk through investments.
- We earn investment management fees and mortality and expense fee income based upon the value of assets held in our separate accounts from both direct and reinsurance arrangements. Revenues from these sources fluctuate with changes in the fair value of the separate accounts.
- Volatility in equity markets may discourage customers from purchasing variable universal life and variable annuity products that have returns linked to the performance of the equity markets. This volatility may also result in existing customers withdrawing cash values or reducing investments in those products.
- We have equity price risk to the extent that it may affect the liability recognized under guaranteed minimum death benefits and guaranteed minimum withdrawal benefit provisions of the variable contracts. Periods of significant and sustained downturns in equity markets, increased equity volatility, or reduced interest rates could result in an increase in the valuation of the future policy benefit or policyholder account balance liabilities associated with such products, which ultimately could result in a reduction to net income.
- The amortization of DAC relating to variable products can fluctuate with changes in the performance of the underlying separate accounts due to the impact on estimated gross profits.
- The Company has a defined benefit pension plan that is frozen. Declining financial markets could have several impacts on this plan including but not limited to: a decrease in the plan's investment values; additional pension expense; a reduction in comprehensive income; and an increase in contributions. In addition, the funding requirements

of our pension plan are sensitive to interest rate changes. Should interest rates decrease, plan liabilities may increase. Should interest rates increase, plan assets may decrease.

The determination of the amount of realized and unrealized impairments and allowances established on our investments is highly subjective and could materially impact our financial position or financial statements.

The determination of the amount of impairments and allowances varies by investment type and is based upon our evaluation and assessment of historical experience, adjusted for known and inherent risks in the current environment that may differ from historical experience associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. There can be no assurance that the assumptions, methodologies, and judgments employed in these evaluations and assessments will be accurate or sufficient in later periods. As a result, additional impairments may need to be realized or allowances provided in future periods. Further, historical trends may not be indicative of future impairments or allowances.

Additionally, we consider a wide range of factors about security issuers and we use our best judgment in evaluating the cause of the decline in the fair value of the security and in assessing the prospects for recovery. Inherent in management's evaluation of the security are assumptions and estimates about the expected future cash flows which include assumptions about the operations of the issuer and its future earnings potential.

We could be forced to sell investments at a loss to meet policyholder withdrawals or other corporate obligations.

Many of our products allow policy and contract holders to withdraw their funds under defined circumstances. We manage liabilities and attempt to align the investment portfolio so as to provide and maintain sufficient liquidity to support anticipated withdrawal demands, contract benefits, maturities, or other corporate obligations. While we own a significant amount of liquid assets, a certain portion of our investment assets are relatively illiquid. If we experience unanticipated withdrawal or surrender activity, we could exhaust other sources of liquidity and be forced to liquidate assets, possibly on unfavorable terms. If we are forced to dispose of assets on unfavorable terms, it could have an adverse effect on our financial statements and financial condition.

Regulatory Risks:

Insurance companies are highly regulated and are subject to numerous legal restrictions and regulations.

We are subject to government regulation in each of the states in which we conduct business. Such regulation is vested in state agencies having broad administrative and, in some instances, discretionary power dealing with many aspects of our business. This may include, among other things, premium rates and increases thereto, reserve requirements, marketing practices, advertising, privacy, policy forms, reinsurance reserve requirements, acquisitions, mergers, and capital adequacy. Government regulation of insurers is concerned primarily with the protection of policyholders and other customers rather than shareholders. Interpretations of regulations by regulators may change, and statutes, regulations, and interpretations may be applied with retroactive impact, particularly in areas such as accounting or reserve requirements.

We cannot predict whether or in what manner regulatory reforms will be enacted and, if so, whether the enacted reforms will positively or negatively affect the Company, or whether any effects will be material. The NAIC generally formulates and promulgates statutory-based insurance regulations. However, each state is independent and must separately enact these financial regulations and guidelines. As such, insurers follow the interpretations and legal approvals of their respective states of domicile.

Other types of regulation that could affect us include insurance company investment laws and regulations, state statutory accounting practices, state escheatment practices, anti-trust laws, minimum solvency requirements, state securities laws, federal privacy laws, insurable interest laws, federal money laundering laws, anti-terrorism laws, and federal income tax regulations. Further, because we own and operate real property, state, federal, and local environmental laws could affect us. We cannot predict what form any future changes in these or other areas of regulation affecting the insurance industry might take or what effect, if any, such proposals might have on us if enacted into law.

We are also subject to various government regulations at the federal level. As a result of economic and market conditions in recent years, the federal government has become increasingly more active in issuing and enforcing regulations. The implementation of these legislative or regulatory requirements may make it more expensive for us to conduct business, may have a material adverse effect on the overall business climate, and could materially affect the profitability of the results of operations and financial condition of financial institutions. We are uncertain as to all of the impacts that new legislation will have and cannot provide assurance that it will not adversely affect our financial statements.

New accounting rules or changes to existing accounting rules could negatively impact our financial results.

We are required to comply with GAAP, as promulgated by the FASB. GAAP is subject to constant review and change in an effort to address emerging accounting issues and develop interpretative accounting guidance on a continual basis. The implementation of new accounting guidance could result in substantial costs and or changes in assumptions or estimates, which could negatively impact our financial statements. Accordingly, we can give no assurance that future changes to GAAP will not have a negative impact on us.

In addition, we are required to comply with statutory accounting principles (SAP). SAP and various components of SAP, such as statutory actuarial reserving methodology, are subject to constant review by the NAIC, NAIC task forces and committees, as well as state insurance departments to address emerging issues and otherwise improve or modify financial reporting. Various proposals are typically pending before committees and task forces of the NAIC. If enacted, some of these may negatively affect us. The NAIC also typically works to reform state regulation in various areas, including reforms relating to life insurance reserves and the accounting for such reserves. We cannot predict whether or in what manner reforms will be enacted and, if so, whether the enacted reforms will positively or negatively affect us. Although states generally defer to the interpretation of the insurance department of the state of domicile with regards to regulations and guidelines, neither the action of the domiciliary state nor action of the NAIC is binding on any other state. Accordingly, a state could choose to follow a different interpretation. We can give no assurance that future changes to SAP or components of SAP will not have a negative impact on us.

Litigation Risk:

Legal proceedings are unpredictable and could produce one or more unexpected outcomes that could materially and adversely affect our financial results.

We are, from time to time, subject to litigation and other legal proceedings in the ordinary course of business. Some of these proceedings may involve matters particular to our unique business practices, the conduct of our agents, or to matters that pertain to general industry business practices. Some lawsuits may seek class action status that, if granted, could expose the Company to potentially significant liability by virtue of the size of the putative classes. These matters often raise difficult factual and legal issues and are subject to uncertainties and complexities. The outcomes of these matters are difficult to predict, and the amounts or ranges of potential loss at particular stages in the proceedings are in most cases difficult or impossible to ascertain. Judges and juries have substantial discretion in awarding punitive and compensatory damages which creates the potential for material adverse judgments or awards. Given the inherent unpredictability of litigation, there can be no assurance that any current or future litigation will not have a material adverse effect on the Company's results of operations or cash flows in any particular reporting period.

Catastrophic Event Risk:

We are exposed to the risks of climate change, natural disasters, pandemics, terrorism, or other acts that could adversely affect our operations.

While we have implemented risk management and contingency plans and taken preventive measures and other precautions, no predictions of specific scenarios can be made nor can assurance be given that there are not scenarios that could have an adverse effect on us. Climate change, a natural disaster, a pandemic, or an outbreak of an easily communicable disease could adversely affect the mortality or morbidity experience of us or our reinsurers. A pandemic could also have an adverse effect on lapses and surrenders of existing policies, as well as sales of new policies. In addition, a pandemic could result in large areas being subject to quarantine, with the result that economic activity slows or ceases. This could adversely affect the marketing or administration of our business. The possible macroeconomic effects of climate change, natural disasters, pandemics, or terrorism could also adversely affect our financial statements.

Information Technology Risk:

The failure of our cybersecurity controls, other information system security controls, or the controls of our third-party providers may result in the unauthorized disclosure of sensitive or confidential corporate or customer information. Such failures could damage our reputation and hinder our ability to conduct business. Further, our contingency planning and disaster recovery programs may be insufficient to address unanticipated events. In addition, our reputation could be damaged by inaccurate presentations made in social media.

As part of the normal course of business, we use computer systems to collect, process, and retain sensitive and confidential corporate and customer information. In addition, we use third-party vendors and cloud technology for storage, processing, and data support of certain activities. We rely on commercial technologies and third parties to maintain the security of that

information. Our information systems are subject to computer viruses, malicious software code, and other unauthorized computer-related actions. Preventive actions taken by the Company to reduce the risk of cyber incidents and to protect our information may be insufficient to prevent cyber attacks or other security breaches. Any security breach involving the misappropriation, loss, or other unauthorized disclosure of confidential information could severely damage our reputation, expose us to an increase in the risk of litigation, disrupt our operations, incur significant technical, legal, and operating expenses, or otherwise harm our business.

We are highly dependent on our ability to access our computer systems to perform the necessary business functions, such as processing premium payments, processing claim payments, administration of policy data, providing customer support, managing our investment portfolio, and conducting financial reporting and analysis. Events such as natural disasters, pandemics, blackouts, computer viruses, terrorist attacks, or cyber attacks could result in system failures or outages that may cause our computer systems to become inaccessible to our employees and customers for an extended period of time. These risks are further heightened by factors such as developments in artificial intelligence, increased remote working, and geopolitical turmoil. Our disaster recovery program may be insufficient to deal with such an unanticipated event. This could result in an adverse impact to our ability to conduct business functions in a timely manner and could result in a failure to maintain the security and confidentiality of sensitive data, including personal information of customers. This could also damage our ability to conduct business, damage to our reputation, result in substantial remediation costs, and potentially subject us to regulatory sanctions, legal claims, or other unidentified consequences.

While we have limited social media content, we recognize that social media outlets are independent of us and our security measures. Inaccurate presentations based upon incorrect information or assumptions could be distributed via social media outlets and could harm us and our reputation.