

KANSAS CITY LIFE INSURANCE COMPANY

2024 ANNUAL REPORT



KANSAS CITY LIFE

Message From The President



It is my pleasure to share with you our highlights and achievements for Kansas City Life Insurance Company in 2024.

As an insurance company, we are impacted by the current economic environment in various aspects. The evolving governmental and legal climates continue to impact our cost of doing business in many ways. In addition, fluctuating market rates can result in significant impacts to the value of our assets, sales of our products, and new investment purchases. Higher interest rates have fostered higher yields and created an improved environment for investment opportunities. These higher interest rates have also benefited many of our policyholders through higher interest crediting to their policyholder account balances. They have also resulted in improved product offerings.

During 2024, we had an increase in net investment income of \$7.0 million and policyholder benefits decreased \$15.4 million compared to the prior year, on the strength of lower reserves and death benefits. However, operating expenses increased, largely due to the addition of a \$21.1 million legal reserve accrual. Excluding this item, operating expenses declined. In total, we incurred a net loss of \$5.0 million in 2024 compared to net income of \$54.9 million in 2023. However, excluding the net impact of the legal reserve accrual, net income in 2024 would have amounted to \$11.7 million. In 2023, we had three large real estate sales that generated pretax gains of \$63.9 million in total. Excluding the net impact of the real estate gains, net income would have amounted to \$4.4 million in 2023.

Also during 2024, we have taken significant steps to improve our point-of-sale process on certain products to enable enhanced and faster decisions at the time of sale so that our agents and future policyholders can complete the sale more effectively and in a reduced timeframe. We are excited to extend these underwriting process improvements to additional portions of our product portfolio in 2025.

Finally, in 2024, we completed a significant conversion of policies to a new administrative system. This is an important initiative for us as we seek to consolidate administrative systems and ultimately to reduce our administrative expenses.

I am also pleased to have two new additions to our Board of Directors, Ms. Eileen Hutchinson and Mr. Richard Seagraves filling the vacancies of Mr. Cecil Miller and Mr. Howard Cohen. Ms. Hutchinson and Mr. Seagraves also joined the Audit Committee. We welcome Ms. Hutchinson and Mr. Seagraves, as they bring leadership and expertise to the Company.

Our promise of Security Assured shines throughout our nearly 130-year history. Our financial strength remains a testament to our resilience through the years. We remain committed to providing financial security to our valued policyholders. Our products are competitive and designed to meet the needs of our current and future customers. We look forward to the future with optimism and we remain poised to meet the challenges ahead.

— **Walter E. Bixby, LLIF**

*President, Chief Executive Officer,
and Vice Chairman of the Board*

Corporate Highlights

One hundred years ago – 1924 – was a significant year for Kansas City. The jazz scene began to develop at 18th and Vine and the Kansas City Monarchs went on to become champions in the first Negro League World Series. For Kansas City Life Insurance Company, in its 29th year in business, 1924 was a year of change and growth.

On Aug. 1, 1924, Kansas City Life's iconic Home Office building was completed at the cost of \$1 million. Prior to this year, the Company resided in a building off Ninth and Main in downtown Kansas City, Mo. The move to the upgraded Home Office in the Midtown area near Broadway and Armour was a sure sign of strength, and solidified Kansas City Life's position as a bustling business and scenic point in the city.

The renowned architectural firm that designed the building, Wight and Wight, achieved great success in Kansas City in the 1920s and 30s developing the architectural backdrop of the city throughout the years. Other notable constructions from the firm include the Jackson County Courthouse, City Hall, and The Nelson-Atkins Museum of Art.

Wight and Wight chose an elegant, neoclassical architectural style for the Home Office – a modern take on classic styles based on ancient architecture of Rome and Greece. This style can be predominantly seen in the large columns scanning the front of the building. However, it extends to the interior as well, with 20-foot Italian Boticino marble columns, Italian Travertine walls, Italian verde marbled flooring, brass outlining, intricate ceiling carvings, and a bronze statue of Mercury, the Greek mythological god of abundance and commercial success.

Throughout the years, Kansas City Life added two additions to its five acres of land to make room for expansion as business boomed and more associates were hired. Today, the Home Office is known for its history, tradition, and growth and is a familiar staple in Kansas City. The building achieved this point of recognition while the city formed around it for a century – developing the lively community that can be seen today. Built to withstand centuries of continuous business, the Home Office of Kansas City Life is prepared for the growth and many more milestones ahead.

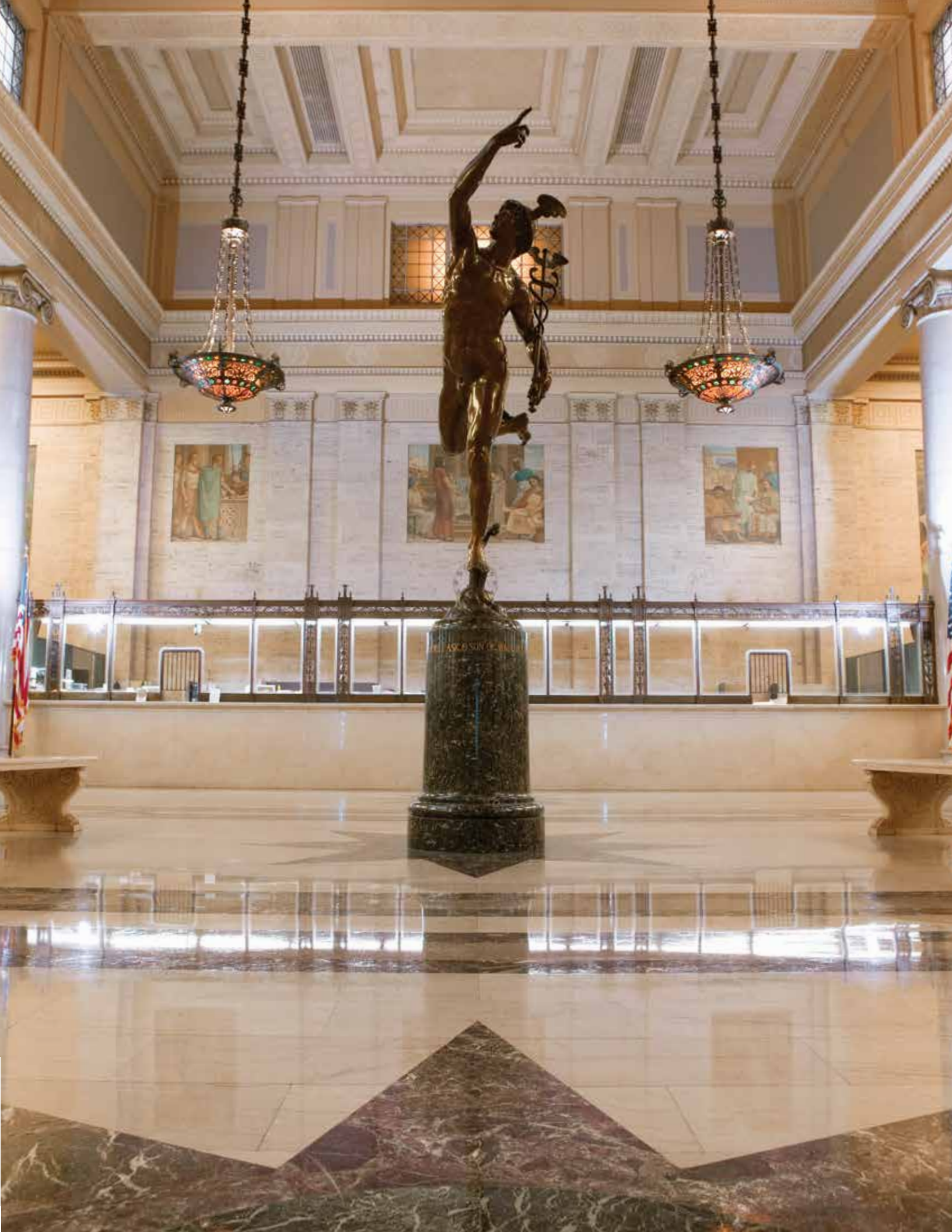
Individual Insurance

Kansas City Life's Individual Insurance segment provides financial security to consumers in 49 states. Life insurance products are distributed through two channels: the Company's field force and third-party marketing arrangements. The Individual Insurance segment consists of individual insurance products for Kansas City Life and Grange Life Insurance Company.

Company's field force

The Company's field force is represented by independent agencies, which are operated by general agents and agents across the U.S. Kansas City Life provides each agency with a comprehensive product portfolio and the marketing support necessary to succeed in servicing consumers in their local markets.

The Company's product portfolio and individual one-on-one support from the Home Office are attractive recruiting resources, setting Kansas City Life apart from many in the industry.



Third-party alliances

Independent arrangements with GuideOne Mutual Insurance Company and AmeriLife Group LLC allow representatives from both companies to distribute Kansas City Life's products. These arrangements provide representatives with the complementary products and services they need to offer more complete financial security to their clients.

Life insurance sales

A measure of life insurance sales and new business production at Kansas City Life is from new premiums recorded and new deposits received. Premiums include receipts from traditional individual life insurance and immediate annuity products. Deposits are received from interest sensitive life insurance and fixed and variable annuity products.

The Individual Insurance segment generated approximately 52% of consolidated insurance revenues in 2024, down from approximately 54% in 2023.

Total new premiums decreased \$7.6 million or 24% in 2024 compared to 2023, due to a \$7.6 million or 30% decline in new immediate annuity premiums. Internal rollovers from various individual annuity products, which are included in immediate annuity premiums, were \$3.0 million lower in 2024 than in 2023. Total renewal premiums decreased \$3.3 million or 3% in 2024 compared to the prior year, reflecting a \$3.2 million or 3% decline in renewal traditional life insurance premiums.

Total new deposits declined \$2.3 million or 4% in 2024 compared to 2023. A \$3.1 million

or 34% decrease in new interest sensitive life deposits was partially offset by a \$0.8 million or 2% increase in new fixed annuity deposits. Total renewal deposits decreased \$2.7 million or 2% in 2024 compared to the prior year. 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 were partially offset by a \$1.5 million or 17% increase in renewal fixed annuity deposits.

Future growth

The Individual Insurance segment is an essential part of Kansas City Life's core business, representing a majority of the Company's revenue. The Company plans to continue to grow the segment by recruiting talented general agents and agents and by adding more third-party alliances. In 2024, the Company had excellent growth with its simplified issue term product. In 2025, the Company looks to continue to make enhancements to the product portfolio, focus on sales development, and provide marketing support.

Group Insurance

Kansas City Life offers several insurance products in the Group Insurance segment, including dental, life, accident, critical illness, vision, and short- and long-term disability. These offerings encompass both traditional, employer-funded group insurance, as well as voluntary, employee-paid products.

The Group Insurance segment markets products primarily to small and mid-size organizations. Group products are sold through sales representatives who target a nationwide network of independent general agents and group

brokers, along with the Company's career general agents. This sales network is this segment's core distribution system. The Company also markets Group products through select third-party marketing arrangements.

The Group Insurance segment generated 22% of the Company's consolidated insurance revenues in 2024, up from 20% in 2023. Total Group premiums increased \$3.1 million or 4% in 2024, following a \$2.9 million or 4% increase in 2023. The Group Insurance segment focuses on three primary areas of emphasis to improve sales:

- Growing in force business through the Company's sales representatives.
- Improving administrative efficiency through greater use of customer-facing technology, designed to reduce expenses and improve customer service.
- Targeting higher-premium opportunities by pursuing groups with multiple lines of coverage and generating annualized premium in excess of \$50,000.

Old American Insurance Company

Founded in 1939, Old American Insurance Company has a long history of delivering final expense life insurance to its customers. Since the

Company's inception, Old American's mission has been to provide present and future Peace of Mind to the senior market and, in turn, enhance the quality of life for both the client and their loved ones.

Old American's foundation is built on the philosophy that nobody should be considered uninsurable simply on the basis of age. That philosophy continues to resonate with its mission of providing financial protection and security to the senior market.

As a fourth-generation, family-oriented company, Old American is proud to help other families provide for future expenses and protect their loved ones. With values rooted in reliability, protection, and security, the Company continues to serve nearly 200,000 policyholders in 47 states and the District of Columbia. As a subsidiary of Kansas City Life Insurance Company, Old American also continues to support Kansas City Life's promise of providing Security Assured to its policyholders.

Sunset Financial Services, Inc.

Sunset Financial Services Inc. is Kansas City Life's distributing broker/dealer for its proprietary line of variable annuity and variable universal life products.



Consolidated Balance Sheets

Amounts in thousands, except share data

| | December 31 | |
|---|---------------------|---------------------|
| | 2024 | 2023 |
| ASSETS | | |
| Investments: | | |
| Fixed maturity securities available for sale, at fair value | \$ 2,350,032 | \$ 2,352,043 |
| Equity securities, at fair value | 819 | 845 |
| Mortgage loans | 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 | <u>3,221,441</u> | <u>3,246,340</u> |
| Cash | 8,101 | 9,695 |
| Accrued investment income | 31,147 | 29,815 |
| Deferred acquisition costs | 302,130 | 308,737 |
| Reinsurance recoverables | 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> |

For additional information, please see the Notes to Consolidated Financial Statements in the Company's Annual Financial Report.

Consolidated Statements of Comprehensive Income

Amounts in thousands, except share data

| | Year Ended December 31 | |
|---|------------------------|-------------------|
| | 2024 | 2023 |
| REVENUES | | |
| Insurance revenues: | | |
| Net premiums | \$ 196,363 | \$ 211,166 |
| Contract charges | 124,786 | 122,587 |
| Total insurance revenues | 321,149 | 333,753 |
| Investment revenues: | | |
| Net investment income | 164,616 | 157,641 |
| Net investment gains (losses) | (676) | 62,053 |
| Total investment revenues | 163,940 | 219,694 |
| Other revenues | 5,698 | 5,473 |
| Total revenues | 490,787 | 558,920 |
| BENEFITS AND EXPENSES | | |
| Policyholder benefits | 250,352 | 265,788 |
| Interest credited to policyholder account balances | 78,801 | 74,311 |
| Amortization of deferred acquisition costs | 35,255 | 34,359 |
| Operating expenses | 132,705 | 115,152 |
| Total benefits and expenses | 497,113 | 489,610 |
| Income (loss) before income tax expense (benefit) | (6,326) | 69,310 |
| Income tax expense (benefit) | (1,361) | 14,390 |
| NET INCOME (LOSS) | \$ (4,965) | \$ 54,920 |
| COMPREHENSIVE INCOME (LOSS), NET OF TAXES | | |
| Changes in: | | |
| Net unrealized gains (losses) on securities available for sale | \$ (28,048) | \$ 68,940 |
| Effect on deferred acquisition costs, value of business acquired, and deferred revenue liabilities | 3,266 | (6,055) |
| Benefit plan obligations | 7,262 | 5,844 |
| Other comprehensive income (loss) | (17,520) | 68,729 |
| COMPREHENSIVE INCOME (LOSS) | \$ (22,485) | \$ 123,649 |
| Basic and diluted earnings per share: | | |
| Net income (loss) | \$ (0.51) | \$ 5.67 |

For additional information, please see the Notes to Consolidated Financial Statements in the Company's Annual Financial Report.

Condensed Consolidated Statements of Cash Flows

| | Year Ended December 31 | |
|--|------------------------|-------------|
| | 2024 | 2023 |
| OPERATING ACTIVITIES | | |
| Net cash used | \$ (58,369) | \$ (50,537) |
| INVESTING ACTIVITIES | | |
| Purchases: | | |
| Fixed maturity securities | (240,556) | (335,463) |
| Mortgage loans | (39,545) | (23,539) |
| Real estate | (1,425) | (2,454) |
| Policy loans | (3,746) | (3,531) |
| Other investments | (26,798) | (10,861) |
| Property and equipment | (1,306) | (916) |
| Sales or maturities, calls, and principal paydowns: | | |
| Fixed maturity securities | 200,257 | 265,130 |
| Mortgage loans | 56,970 | 62,799 |
| Real estate | 570 | 68,739 |
| Policy loans | 2,857 | 2,246 |
| Other investments | 13,066 | 8,299 |
| Property and equipment | – | 20 |
| Net sales (purchases) of short-term investments | 26,651 | (33,071) |
| Net cash used | (13,005) | (2,602) |
| FINANCING ACTIVITIES | | |
| Policyholder account balances – deposits | 190,546 | 195,571 |
| Policyholder account balances – receipts from funding agreements | 20,000 | – |
| Withdrawals from policyholder account balances | (185,834) | (203,536) |
| Change in deposit asset on reinsurance, net | 56,583 | 81,524 |
| Net transfers from separate accounts | 721 | 2,678 |
| Change in other deposits | (6,813) | (15,748) |
| Cash dividends to stockholders | (5,423) | (5,423) |
| Net cash provided | 69,780 | 55,066 |
| Increase (decrease) in cash | (1,594) | 1,927 |
| Cash at beginning of year | 9,695 | 7,768 |
| Cash at end of year | \$ 8,101 | \$ 9,695 |

For additional information, please see the Notes to Consolidated Financial Statements in the Company's Annual Financial Report.

Stockholder Information

CORPORATE HEADQUARTERS

Kansas City Life Insurance Company
3520 Broadway
P.O. Box 219139 | Kansas City, MO 64121-9139
Telephone: 816-753-7000 | Fax: 816-753-4902
Website: www.kclife.com | Email: communications@kclife.com

ANNUAL MEETING

The annual meeting of stockholders will be held at 9 a.m. on Thursday, April 24, 2025, at Kansas City Life Insurance Company's corporate headquarters. Please see the Notice of Annual Meeting of Stockholders and Proxy.

TRANSFER AGENT

Heather Welch, Stock Agent and Assistant Secretary
Kansas City Life Insurance Company
Post Office Box 219139 | Kansas City, MO 64121-9139

ANNUAL FINANCIAL REPORT REQUEST

The Company's audited Annual Financial Report is available electronically on the Company's website (www.kclife.com/Company/Financials) and the OTCQX website (www.otcmarkets.com/stock/KCLI/disclosure). Stockholders may request a free paper copy of Kansas City Life's audited Annual Financial Report, as published on the OTCQX best marketplace, by writing to Secretary, Kansas City Life Insurance Company.

SECURITY HOLDERS

As of January 31, 2025, Kansas City Life had approximately 115 holders of record.

Stock and Dividend Information

The following table presents the high and low prices for the Company's common stock for the periods indicated and the dividends declared per share and paid during such periods. The Company's common stock is traded on the OTCQX best marketplace under the symbol "KCLI."

| | High | Low | Dividend Paid |
|----------------|----------|----------|----------------|
| 2024 | | | |
| First quarter | \$ 39.01 | \$ 33.00 | \$ 0.14 |
| Second quarter | 38.47 | 34.50 | 0.14 |
| Third quarter | 39.00 | 34.70 | 0.14 |
| Fourth quarter | 36.67 | 35.00 | 0.14 |
| | | | <u>\$ 0.56</u> |
| 2023 | | | |
| First quarter | \$ 27.75 | \$ 21.75 | \$ 0.14 |
| Second quarter | 27.00 | 20.00 | 0.14 |
| Third quarter | 25.75 | 22.76 | 0.14 |
| Fourth quarter | 37.00 | 25.00 | 0.14 |
| | | | <u>\$ 0.56</u> |

A quarterly dividend of \$0.14 per share was paid February 12, 2025.

The high and low market quotations are compiled according to Company records and may reflect inter-dealer prices, without markup, markdown, or commission and may not necessarily represent actual transactions.

The Kansas City Life Group of Companies



Kansas City Life Insurance Company

Since 1895, Kansas City Life Insurance Company (www.kclife.com) has been dedicated to the present and future financial security of our customers. Kansas City Life provides financial services, including life insurance and investments*, to consumers throughout 49 states and the District of Columbia. More than 2,500 general agents and agents serve individuals, families, small businesses, and corporations with a diverse range of products, including universal life, term life, whole life, variable life insurance*, variable annuities*, fixed deferred annuities, and group products. Kansas City Life has been providing Security Assured for more than 129 years.



Grange Life Insurance Company

From 1968 to 2018, Grange Life Insurance Company served as the life affiliate of Grange Mutual Insurance Company, headquartered in Columbus, Ohio, and operated in 13 Midwestern and Southern states. Grange Life became part of the Kansas City Life Group of Companies in 2018 and has adopted the Kansas City Life branding.



Old American Insurance Company

Since 1939, for over 85 years, the mission of Old American Insurance Company (www.oaic.com) has been to provide Peace of Mind to the senior market. Agents assist individuals ages 50 to 85 through final arrangements planning and communication, in order to enhance the quality of life for policyholders and relieve the emotional and financial burdens from their beneficiaries. In addition, Old American offers a whole life insurance policy for children two weeks to 15 years old, further extending Peace of Mind to parents and grandparents. Old American operates in 47 states and the District of Columbia.



Sunset Financial Services Inc.*

Sunset Financial Services Inc. is the distributing broker/dealer for Kansas City Life's line of variable annuity and variable universal life products.

Financial Rating, evaluated by A.M. Best

Kansas City Life Insurance Company: A- (Excellent; Stable Outlook)

Grange Life Insurance Company: B++ (Good; Negative Outlook)

Old American Insurance Company: B++ (Good; Stable Outlook)

These ratings represent A.M. Best's opinion of the financial strength and stability of Kansas City Life, Grange Life, and Old American Insurance Companies and each company's ability to meet ongoing obligations to policyholders, as of October 2024.

There are 13 financial strength ratings assigned by A.M. Best, ranging from A++ (Superior) to D (Poor).

**Kansas City Life's variable product series is distributed through Sunset Financial Services, Inc.*

Board of Directors Kansas City Life Insurance Company

Kevin G. Barth

Chairman and Chief Executive Officer
Commerce Bank
Kansas City, Mo.

R. Philip Bixby

Chairman of the Board
Kansas City Life Insurance Company
Kansas City, Mo.

Walter E. Bixby, LLIF

President, Chief Executive Officer, and
Vice Chairman of the Board
Kansas City Life Insurance Company
President
Old American Insurance Company
President and Chief Executive Officer
Grange Life Insurance Company
Kansas City, Mo.

William R. Blessing

Retired Senior Vice President,
Corporate Strategy and Development
Embarq
Overland Park, Kan.

Michael Braude

Retired President and Chief Executive Officer
Kansas City Board of Trade
Kansas City, Mo.

James T. Carr

President and Chief Executive Officer
National Association of
Intercollegiate Athletics
Kansas City, Mo.

John C. Cozad

President
Cozad Company, LLC
Platte City, Mo.

Eileen M. Hutchinson

Retired Vice President of Finance and
Chief Financial Officer
Government Employee Health
Association, Inc. (GEHA)
Kansas City, Mo.

David S. Kimmel

Managing Partner
Insurance Advisory Partners LLC
Rye, N.Y.

David A. Laird, CPA, FLMI

Senior Vice President, Finance
Kansas City Life Insurance Company
Kansas City, Mo.

A. Craig Mason Jr.

Senior Vice President, General Counsel
and Secretary
Kansas City Life Insurance Company
Kansas City, Mo.

Mark A. Milton, FSA, CERA, MAAA

Senior Vice President and Actuary
Kansas City Life Insurance Company
Kansas City, Mo.

William A. Schalekamp, JD, CLU, FLMI

Retired Senior Vice President, General
Counsel and Secretary
Kansas City Life Insurance Company
Kansas City, Mo.

Richard W. Seagraves

Former Audit Partner and Audit
Professional Practice Partner
KPMG
Kansas City, Mo.

Senior Officers

Kansas City Life Insurance Company

Walter E. Bixby, LLIF
President and Chief Executive Officer

David A. Laird, CPA, FLMI
Senior Vice President, Finance

A. Craig Mason Jr.
Senior Vice President, General Counsel
and Secretary

Mark A. Milton, FSA, CERA, MAAA
Senior Vice President and Actuary

Stephen E. Ropp
Senior Vice President, Operations

James P. Bixby
Vice President, New Business Operations

Patrick Bowen, CLU
Vice President, Agencies

Aaron L. Bush, ASA, MAAA
Vice President, Corporate Actuary

Thomas B. Deacy, CFA
Vice President, Investments

Keith L. Kelley
Vice President, Life Administration

John L. Nogalski, CPA, FLMI
Vice President, Taxes

Jennifer K. Pieper, CPA
Vice President & Controller

James L. Richardson
Vice President, IT

T. Dwane Turnage, LUTCF
Vice President, Marketing

Old American Insurance Company

Walter E. Bixby, LLIF
President

Bradley W. Cope, CLU, FMLI, ACS
Vice President, Sales

David A. Laird, CPA, FLMI
Chief Financial Officer

Mark A. Milton, FSA, CERA, MAAA
Chief Actuary

Jennifer K. Pieper, CPA
Vice President and Controller

Stephen E. Ropp
Vice President, Operations

Malika S. Simmons
Vice President, Assistant General Counsel
and Secretary

Grange Life Insurance Company

Walter E. Bixby, LLIF
President and Chief Executive Officer

Keith L. Kelley
Vice President, Life Administration

David A. Laird, CPA, FLMI
Chief Financial Officer

A. Craig Mason Jr.
General Counsel and Secretary

Mark A. Milton, FSA, CERA, MAAA
Actuary

Kansas City Life
Insurance Company

Grange Life Insurance Company

Old American Insurance Company

Sunset Financial Services Inc.

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KANSAS CITY LIFE

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