

KANSAS CITY LIFE INSURANCE COMPANY

2023 ANNUAL REPORT



KANSAS CITY LIFE

Message From The President



It is my pleasure to highlight our accomplishments for Kansas City Life Insurance Company in 2023.

The Company had net income of \$54.9 million during 2023, which is greatly improved from the \$16.2 million net loss in 2022. The 2023 results were impacted by an increase in net investment gains, largely due to real estate sales. The real estate sales generated a net pretax gain of \$63.9 million. We also had a \$3.8 million increase in net investment income, a \$6.2 million decrease in the amortization of deferred acquisition costs, and a \$10.3 million decrease in operating expenses. Operating expenses compared favorably to 2022 in part due to the establishment of a \$28.4 million legal reserve accrual in the fourth quarter of 2022 associated with class action litigation. In 2023, operating results were also impacted by an increase in policyholder benefits of \$7.4 million compared to 2022.

The economic environment continues to impact our financial results in many and varied ways. Total revenues were \$558.9 million in 2023, an increase of 17% compared with one year ago. Total insurance revenues also remained strong, exceeding \$330 million for the fourth straight year. On the strength of realized gains from selected real estate sales, total investment revenues were \$219.7 million.

Higher interest rates have benefited the Company through enhanced yield and broader opportunities during the past two years. Gross investment income on invested assets increased \$9.7 million over the prior year, reflecting an increase in overall yields. While higher rates have created a better landscape for both new investments and the reinvestment opportunity into higher yielding investments, they have also resulted in a significant decline in the market value of existing fixed income assets and additional challenges exist from both increased inflation and the risk of a recession. Our product offerings have also benefited from the availability of higher interest crediting.

Another change in 2023 included Nancy Hudson's decision to retire from the Board. She has agreed to continue to advise the Board and we look forward to her continued guidance in that capacity. Cecil Miller also announced his retirement effective in March 2024. Both Nancy and Cecil were long serving members of our Board with a deep understanding of the industry and the Company. Their advice, wisdom, and counsel will be greatly missed.

It is during challenging times such as these that our primary mission of Security Assured shines through. We have a longstanding record of financial strength, and we remain committed to providing quality insurance products and timely benefit payments. Looking to the future, we will continue to seek new opportunities to keep our company strong and resilient.

— **Walter E. Bixby, LLIF**

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

Corporate Highlights

The promise of Security Assured has been a 128-year tradition at Kansas City Life Insurance Company. The goal of this mission is to not only safeguard individuals, families, and businesses against the unpredictability of life, but it is also the foundation on which the Company was built.

Kansas City Life's commitment to those we serve is steadfast – we will be here when it is needed most. It is our commitment to sound business practices, integrity, and financial strength that has made our Company into what it is today. These notions are the cornerstone of our business philosophy as we seek to maintain consistent, long-term profitable growth.

Throughout 128 years of offering financial protection, we are built to weather the unpredictable nature of our world. Despite challenging times in recent years, Kansas City Life continues to adapt and grow in this industry. The Company looks ahead to maintain strong relationships and continue our promise to our policyholders for generations to come.

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 54% of consolidated insurance revenues in 2023, up from approximately 52% in 2022.

Total new premiums increased \$3.8 million or 14% in 2023 compared to 2022. This improvement reflected a \$5.0 million or 25% increase in new immediate annuity premiums that was partially offset by a \$1.2 million or 16% decrease in new traditional life insurance premiums. Total renewal premiums were essentially flat in 2023 compared to the prior year.

Total new deposits rose \$0.7 million or 1% in 2023 compared to 2022. New fixed annuity deposits increased \$6.9 million or 17% while new variable annuity deposits decreased \$5.1 million or 47% and new interest sensitive life deposits decreased \$1.1 million or 11%. Total renewal deposits decreased \$12.4 million or 8% in 2023 compared to the prior year. Renewal fixed annuity deposits declined \$6.8 million or 43%, renewal interest life sensitive deposits declined \$3.7 million or 3%, and variable annuity deposits declined \$1.9 million or 23%.

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. Enhancements to the product portfolio, increased focus on sales development and superior marketing support are elements that will be emphasized to attract new field representatives.

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 20% of the Company's consolidated insurance revenues in 2023, up 19% from 2022. Total Group premiums increased by \$2.9 million or 4% in 2023, following a \$2.6 million or 4% increase in 2022. 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	
	2023	2022
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value	\$ 2,352,043	\$ 2,204,819
Equity securities, at fair value	845	1,918
Mortgage loans	592,328	591,928
Real estate	98,042	141,649
Policy loans	84,025	82,739
Short-term investments	91,569	58,497
Other investments	27,488	18,749
Total investments	<u>3,246,340</u>	<u>3,100,299</u>
Cash	9,695	7,768
Accrued investment income	29,815	27,516
Deferred acquisition costs	308,737	327,544
Reinsurance recoverables	409,213	402,323
Deposit asset on reinsurance	419,448	484,410
Other assets	233,968	233,708
Separate account assets	395,946	381,581
Total assets	<u>\$ 5,053,162</u>	<u>\$ 4,965,149</u>
LIABILITIES		
Future policy benefits	\$ 1,415,755	\$ 1,388,924
Policyholder account balances	2,199,730	2,280,917
Policy and contract claims	59,295	56,975
Other policyholder funds	191,820	204,788
Other liabilities	181,259	160,271
Separate account liabilities	395,946	381,581
Total liabilities	<u>4,443,805</u>	<u>4,473,456</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	959,373	910,438
Accumulated other comprehensive loss	(172,861)	(241,590)
Treasury stock, at cost (2023 and 2022 - 8,813,266 shares)	(241,301)	(241,301)
Total stockholders' equity	<u>609,357</u>	<u>491,693</u>
Total liabilities and stockholders' equity	<u>\$ 5,053,162</u>	<u>\$ 4,965,149</u>

Consolidated Statements of Comprehensive Income

	Year Ended December 31	
	2023	2022
REVENUES		
Insurance revenues:		
Net premiums	\$ 211,166	\$ 208,608
Contract charges	122,587	124,044
Total insurance revenues	333,753	332,652
Investment revenues:		
Net investment income	157,641	153,879
Net investment gains (losses)	62,053	(16,643)
Total investment revenues	219,694	137,236
Other revenues	5,473	6,754
Total revenues	558,920	476,642
BENEFITS AND EXPENSES		
Policyholder benefits	265,788	258,399
Interest credited to policyholder account balances	74,311	72,974
Amortization of deferred acquisition costs	34,359	40,593
Operating expenses	115,152	125,433
Total benefits and expenses	489,610	497,399
Income (loss) before income tax expense (benefit)	69,310	(20,757)
Income tax expense (benefit)	14,390	(4,539)
NET INCOME (LOSS)	\$ 54,920	\$ (16,218)
COMPREHENSIVE INCOME (LOSS), NET OF TAXES		
Changes in:		
Net unrealized gains (losses) on securities available for sale	\$ 68,940	\$ (366,516)
Effect on deferred acquisition costs, value of business acquired, and deferred revenue liabilities	(6,055)	31,334
Policyholder liabilities	–	26,765
Benefit plan obligations	5,844	(7,424)
Other comprehensive income (loss)	68,729	(315,841)
COMPREHENSIVE INCOME (LOSS)	\$ 123,649	\$ (332,059)
Basic and diluted earnings per share:		
Net income (loss)	\$ 5.67	\$ (1.67)

Condensed Consolidated Statements of Cash Flows

	Year Ended December 31	
	2023	2022
OPERATING ACTIVITIES		
Net cash used	\$ (50,537)	\$ (54,331)
INVESTING ACTIVITIES		
Purchases:		
Fixed maturity securities	(335,463)	(441,308)
Equity securities	–	(8)
Mortgage loans	(23,539)	(69,974)
Real estate	(2,454)	(2,733)
Policy loans	(3,531)	(7,116)
Other investments	(10,861)	(14,553)
Property and equipment	(916)	(535)
Sales or maturities, calls, and principal paydowns:		
Fixed maturity securities	265,130	343,993
Equity securities	–	2,000
Mortgage loans	62,799	74,111
Real estate	68,739	843
Policy loans	2,246	6,437
Other investments	8,299	3,639
Property and equipment	20	25
Net sales (purchases) of short-term investments	(33,071)	16,004
Net cash used	(2,602)	(89,175)
FINANCING ACTIVITIES		
Policyholder account balances – deposits	195,571	207,231
Policyholder account balances – receipts from funding agreement	–	70,000
Withdrawals from policyholder account balances	(203,536)	(172,117)
Change in deposit asset on reinsurance, net	81,524	45,799
Net transfers from separate accounts	2,678	7,841
Change in other deposits	(15,749)	(6,217)
Cash dividends to stockholders	(5,422)	(6,682)
Net cash provided	55,066	145,855
Increase in cash	1,927	2,349
Cash at beginning of year	7,768	5,419
Cash at end of year	\$ 9,695	\$ 7,768

These condensed consolidated financial statements should be read in conjunction with the Company's 2023 annual financial report that is available on the Company's website (www.kclife.com/Company/Financials) and the OTC Markets Group website (www.otcmarkets.com/stock/KCLI/filings).

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 18, 2024, at Kansas City Life Insurance Company's corporate headquarters. Please see the Notice of Annual Meeting of Stockholders and Proxy.

TRANSFER AGENT

Janice Poe, Stock Agent and Assistant Secretary
Kansas City Life Insurance Company
P.O. Box 219139 | Kansas City, MO 64121-9139

ANNUAL FINANCIAL REPORT REQUEST

The Company's 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/filings). Stockholders may request a free paper copy of Kansas City Life's 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, 2024, Kansas City Life had approximately 116 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
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>
2022			
First quarter	\$ 44.50	\$ 40.06	\$ 0.27
Second quarter	43.62	30.05	0.14
Third quarter	33.00	29.01	0.14
Fourth quarter	30.10	26.10	0.14
			<u>\$ 0.69</u>

A quarterly dividend of \$0.14 per share was paid February 7, 2024.

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 128 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. Grange Life became part of the Kansas City Life Group of Companies in 2018. The group specializes in cross-selling life insurance through multi-line agents for such needs as income replacement, mortgage protection, wealth transfer, and final expenses.



Old American Insurance Company

Since 1939, for 84 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 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; Negative 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 September 2023.

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.

Howard E. Cohen, CPA

Retired Partner
Deloitte
Kansas City, Mo.

John C. Cozad

President
Cozad Company, LLC
Platte 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.

Cecil R. Miller, CPA

Retired Partner
KPMG, LLP
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.

Senior Officers

Kansas City Life Insurance Company

R. Philip Bixby
Chairman of the Board

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

Donald E. Krebs, MSM, CLU, ChFC, LLIF
Senior Vice President, Sales and Marketing

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

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

Talva S. Parker
Vice President, Group

Jennifer K. Pieper, CPA
Vice President and Controller

James L. Richardson
Vice President, IT

Dwane Turnage, LUTCF
Vice President, Marketing

Old American Insurance Company

R. Philip Bixby
Chairman of the Board

Walter E. Bixby, LLIF
President

Bradley W. Cope, ACS, FMLI
Vice President, Sales and Marketing

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

R. Philip Bixby
Chairman of the Board

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

Jennifer K. Pieper, CPA
Controller

Kansas City Life
Insurance Company

Grange Life Insurance Company

Old American Insurance Company

Sunset Financial Services, Inc.

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Visit us on the Internet:
www.kclife.com
www.oaic.com





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