KANSAS CITY LIFE INSURANCE COMPANY

A Missouri Corporation

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Kansas City, MO 64111

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QUARTERLY REPORT

FOR THE QUARTER ENDED MARCH 31, 2016

ISSUER'S EQUITY SECURITIES

Common Stock
Par Value $1.25 per Share
36,000,000 Shares Authorized
9,683,414 Shares Outstanding as of March 31, 2016

Kansas City Life Insurance Company is responsible for the content of this Quarterly Report. The securities described in this document are not registered with, and the information contained in this report has not been filed with, or approved by, the U.S. Securities and Exchange Commission.

KANSAS CITY LIFE INSURANCE COMPANY

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Statement on Forward-Looking Information

This report reviews the Company's financial condition and results of operations, and 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 the Company's future results to differ materially from expected results include, but are not limited to:

- Changes in general economic conditions, including the performance of financial markets and interest rates;
- Increasing competition and changes in consumer behavior, which may affect the Company's ability to sell its products and retain business;
- Increasing competition in the recruitment of new general agents and agents;
- Customer and agent response to new products, distribution channels, and marketing initiatives;
- Fluctuations in experience regarding current mortality, morbidity, persistency, and interest rates relative to expected amounts used in pricing the Company's products;
- Changes in assumptions related to deferred acquisition costs (DAC), value of business acquired (VOBA), and deferred revenue liability (DRL);
- Regulatory, accounting, or tax changes that may affect the cost of, or the demand for, the Company's products or services; and
- Unanticipated changes in industry trends and ratings assigned by nationally recognized rating organizations.

The Company cannot give assurances that such statements will prove to be correct. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Item 1. The Exact Name of the Issuer and Address and Telephone Number of Issuer's Principal Office

Issuer's Exact Name:	Kansas City Life Insurance Company
Issuer's Address:	3520 Broadway Kansas City, Missouri 64111
Issuer's Telephone:	Telephone: (816) 753-7000 Fax: (816) 753-4902
Issuer's Website:	*www.kclife.com*
Investor Relations:	Tracy W. Knapp Senior Vice President, Finance Telephone: (816) 753-7000 ext. 8216 Email: *kclife@kclife.com*

Item 2. Shares Outstanding

Common Stock

	March 31, 2016
Number of Shares Authorized	36,000,000
Number of Shares Outstanding	9,683,414
Freely Tradable Shares (Public Float)	2,604,161
Total Number of Shareholders of Record	192

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

Item 3. Unaudited Interim Consolidated Financial Statements

Copies of the unaudited interim consolidated financial statements of Kansas City Life Insurance Company as of March 31, 2016, including Consolidated Interim Balance Sheets, Consolidated Statements of Comprehensive Income, Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements, are attached hereto as Exhibit 3.1 and are hereby incorporated by reference into this Quarterly Report.

The unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The accompanying unaudited interim consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim period presented. These adjustments are of a normal recurring nature. As permitted under GAAP, certain footnotes or other financial information are condensed or omitted in the unaudited interim consolidated financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report for the year ended December 31, 2015. Operating results for the interim period are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2016.

Item 4. Management's Discussion and Analysis of Financial Condition and Results of Operations

Amounts are stated in thousands, except share data, or as otherwise noted.

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide in narrative form the perspective of the management of Kansas City Life Insurance Company (the Company) on its financial condition, results of operations, and certain other factors that may affect its future results. The following is a discussion and analysis of the results of operations for the first quarters ended March 31, 2016 and 2015 and the financial condition of the Company at March 31, 2016. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in this document, as well as the Company's Annual Report for the fiscal year ended December 31, 2015, which has been posted to the OTC Markets website.

Overview

The Company's 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;
- Persistency of existing insurance policies;
- Interest rates credited to policyholders;
- The effectiveness of reinsurance programs;
- The amount of investment assets under management;
- The ability to maximize investment returns and manage risks such as interest rate risk, credit risk, and equity risk;
- Timely and cost-effective access to liquidity; and
- Management of distribution costs and operating expenses.

General economic conditions may affect future results. Market fluctuations, often extreme in nature, have significantly impacted the financial markets and the Company's investments, revenues, and policyholder benefits in recent periods. The sustained low interest rate environment and volatile equity markets have presented significant challenges to the financial markets as a whole and specifically to companies invested in fixed maturity securities and other fixed income investments. These conditions may continue and the stressed economic and market environment may persist into the future, affecting the Company's revenue, net income, and financial position.

Consolidated Results of Operations

Summary of Results

The Company earned net income of $4.3 million in the first quarter of 2016 compared to $6.8 million in the first quarter of 2015. Net income per share was $0.44 in the first quarter of 2016 versus $0.63 in the same period in the prior year. Contributing to the decline in net income in 2016 were increases in policyholder benefits and amortization of deferred acquisition costs and a decline in net investment income. Partially offsetting these were increases in net premiums and net realized gains. Additional information on these items is presented below.

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 affected by the level of new sales, the type of products sold, the persistency of policies, general economic conditions, and competitive forces.

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

	Quarter Ended March 31		
	2016	% Change	2015
New premiums:			
Traditional life insurance	$ 4,859	8%	$ 4,498
Immediate annuities	6,483	3%	6,296
Group life insurance	721	26%	570
Group accident and health insurance	3,790	51%	2,506
Total new premiums	15,853	14%	13,870
Renewal premiums	40,279	—%	40,216
Total premiums	56,132	4%	54,086
Reinsurance ceded	(14,030)	7%	(13,110)
Net premiums	$ 42,102	3%	$ 40,976

Consolidated total premiums increased $2.0 million or 4% in the first quarter of 2016 versus the prior year. New premiums increased $2.0 million or 14% in 2016 versus the prior year. This increase primarily resulted from a $1.3 million or 51% increase in new group accident and health premiums, largely from the long-term disability line. In addition, new traditional life insurance premiums increased $0.4 million or 8%, new immediate annuity premiums increased $0.2 million or 3% and new group life premiums increased $0.1 million or 26%. The increase in new traditional life insurance premiums was principally from the Old American segment. Renewal premiums were essentially flat in the first quarter of 2016 versus the prior year.

The following table reconciles deposits with the Consolidated Statements of Cash Flows and provides detail by new and renewal deposits. New deposits are also detailed by product.

	Quarter Ended March 31		
	2016	% Change	2015
New deposits:			
Universal life insurance	$ 2,900	(32)%	$ 4,242
Variable universal life insurance	106	15 %	92
Fixed annuities	11,253	27 %	8,851
Variable annuities	3,770	(22)%	4,844
Total new deposits	18,029	— %	18,029
Renewal deposits	35,991	(4)%	37,685
Total deposits	$ 54,020	(3)%	$ 55,714

New deposits on interest sensitive products are heavily influenced by the general economic conditions and interest rates available in the marketplace. In addition, the variable life and annuity products are also influenced by the fluctuations in the equity markets. Generally, low interest rate environments present significant challenges to products such as these and potential sizeable fluctuations in new sales can result.

Total new deposits were flat in the first quarter of 2016 compared with the first quarter of 2015. New fixed annuity deposits increased $2.4 million or 27%. Offsetting this were decreases of $1.3 million or 32% in new universal life deposits and $1.1 million or 22% in new variable annuity deposits. Total renewal deposits decreased $1.7 million or 4% in the first quarter of 2016 compared to the prior year, as renewal deposits decreased in each product line.

Contract charges result from charges and fees on interest-sensitive and deposit-type products. The Company maintains both open, active blocks of business and closed blocks of business.

Total contract charges were essentially flat in the first quarter of 2016 compared to the first quarter of 2015. This reflected increased amortization of deferred revenue that was offset by lower cost of insurance charges, reserve loads, and surrender charges.

Included in total contract charges are groups of policies and companies that the Company considers to be closed blocks. The closed blocks of business reflect products and entities that have been purchased but for which the Company is not actively pursuing marketing efforts to generate new sales. The Company services these policies to meet long-term profit objectives as these blocks of business run off or decline over time. Total contract charges on these closed blocks equaled 41% of total consolidated contract charges during the first quarter of 2016, down from 43% in the first quarter of 2015. Total contract charges on closed blocks decreased 5% in the first quarter of 2016 compared to the first quarter of 2015. This decrease was largely attributed to the runoff of the business, which was within expectations. Total contract charges on open, or ongoing, blocks of business increased 4% in the first quarter of 2016 versus the same period in the prior year, reflecting higher amortization of deferred revenue.

Investment Revenues
Gross investment income decreased $1.4 million or 3% in the first quarter of 2016 compared with the same period in 2015. This decline reflected lower average invested assets and lower overall yields earned and available on certain investments. In addition, investment expenses increased $0.2 million or 6%, largely reflecting higher real estate expenses.

Fixed maturity securities provide a majority of the Company's investment income. Approximately 75% of the Company's investments were in fixed maturity securities at both March 31, 2016 and December 31, 2015, with 95% of the portfolio above investment grade for both periods. Income from these investments declined $1.6 million or 5% in the first quarter of 2016 compared to the prior year, due to lower average invested assets and lower yields earned.

Investment income from commercial mortgage loans increased $0.2 million or 3% in the first quarter of 2016 compared to one year earlier, primarily due to an increase in prepayment fees.

Investment income from real estate properties was essentially flat in the first quarter of 2016 compared to the first quarter of 2015. However, real estate expenses increased.

The Company recorded net realized investment gains of $2.4 million in the first quarter of 2016, including $1.5 million in gains from investment securities and a $1.0 million net gain from the sale of real estate. Partially offsetting these gains, investment losses due to write-downs of investment securities that were considered other-than-temporarily impaired were less than $0.1 million.

Policyholder Benefits
Policyholder benefits 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. The largest component of policyholder benefits was death benefits for the periods presented. Death benefits reflect mortality results, after consideration of the impact of reinsurance.

Policyholder benefits increased $4.0 million or 8% in the first quarter of 2016 compared to the first quarter of 2015, predominantly the result of an increase in benefit and contract reserves. Contributing to the change in reserves were changes in the fair value of the guaranteed minimum withdrawal benefit (GMWB) rider, which resulted in a $3.4 million increase in benefit and contract reserves. This change included a $1.7 million increase in reserves in the first quarter of 2016 and a $1.7 million decrease in reserves in the prior year. This fluctuation can be primarily attributed to decreases in risk-free swap rates and declines in the spreads used for issuer discount. In addition, the increase in policyholder benefits reflected higher disability benefits. Partially offsetting these changes, death benefits, net of reinsurance, declined in the first quarter of 2016 compared to the prior year.

Interest Credited to Policyholder Account Balances
Interest credited to policyholder account balances decreased $0.4 million or 2% in the first quarter of 2016 compared to the first quarter of 2015. This decline was due to lower average crediting rates and a decrease in policyholder account balances compared to one year earlier.

Amortization of DAC
The amortization of DAC increased $1.2 million or 14% in the first quarter of 2016 compared to the prior year. This increase was due to lower net death benefits in the first quarter of 2016 compared to the first quarter of 2015.

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 the Company's operations, the amortization of VOBA, and other expenses. In total, operating expenses increased $0.3 million or 1% in the first quarter of 2016 compared to the first quarter of 2015. This increase was primarily due to higher employee and agent benefit and support costs.

Income Taxes
The Company recorded first quarter income tax expense of $2.0 million or 32% of income before tax in 2016, compared to income tax expense of $2.7 million or 29% of income before tax for the prior year period. The increase in the effective tax rate was primarily due to the variance in actual versus assumed results that impacted taxes for the quarter ended March 31, 2016.

Analysis of Investments

This analysis of investments should be read in conjunction with Note 3 included in Exhibit 3.1.

The following table provides asset class detail of the investment portfolio. Fixed maturity and equity securities represented 76% and 75% of the investment portfolio at March 31, 2016 and December 31, 2015, respectively.

	March 31 2016	% of Total	December 31 2015	% of Total
Fixed maturity securities	$ 2,656,211	75%	$ 2,580,845	74%
Equity securities	25,294	1%	25,325	1%
Mortgage loans	572,230	16%	589,960	17%
Real estate	167,559	5%	168,097	5%
Policy loans	80,392	2%	81,392	2%
Short-term investments	20,724	1%	22,474	1%
Other investments	534	—	380	—
Total	$ 3,522,944	100%	$ 3,468,473	100%

Fixed maturity securities comprised 75% of the Company's total investments at March 31, 2016. The largest categories of total fixed maturity securities at March 31, 2016 consisted of 81% in corporate securities, 6% in municipal securities, and 6% in U.S. Treasury securities and other obligations of the U.S. Government. Fixed maturity securities had unrealized gains of $166.6 million and unrealized losses of $21.6 million at March 31, 2016.

The Company uses actual or equivalent Standard & Poor's ratings to determine the investment grading of fixed maturity securities available for sale. The Company had 95% of its fixed maturity securities available for sale above investment grade at March 31, 2016 and December 31, 2015.

The fair value of fixed maturity securities with unrealized losses was $278.9 million at March 31, 2016, compared with $567.2 million at December 31, 2015. This decrease primarily reflected a reduction in market interest rates during 2016. At March 31, 2016, 85% of security investments with an unrealized loss were investment grade and accounted for 79% of the total unrealized losses. At December 31, 2015 , 94% of securities with an unrealized loss were investment grade and accounted for 88% of the total unrealized losses. At March 31, 2016, the Company had gross unrealized losses on fixed maturity and equity securities of $22.2 million that were offset by $168.6 million in gross unrealized gains. At December 31, 2015, the Company had $32.8 million in gross unrealized losses on fixed maturity and equity securities, offset by $128.6 million in gross unrealized gains. At March 31, 2016, 90% of the fixed maturity and equity securities portfolio had unrealized gains, an increase from 78% at December 31, 2015. The Company had a decrease in gross unrealized losses in most categories from year-end 2015 to March 31, 2016, due to changes in interest rates and market spreads during 2016. Gross unrealized losses on fixed maturity and equity securities for less than 12 months accounted for $9.8 million or 44% of the security values in a gross unrealized loss position at March 31, 2016. Gross unrealized losses on fixed maturity and equity security investments of 12 months or longer increased from $9.6 million at December 31, 2015 to $12.4 million at March 31, 2016.

The Company's residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade were 40% and 41% of the total at March 31, 2016 and December 31, 2015, respectively.

The Company has written down certain investments in previous periods. Fixed maturity securities written down and continuing to be owned at March 31, 2016 had a fair value of $75.6 million with a net unrealized gain of $3.7 million, which compares to the December 31, 2015 fair value of $80.7 million and a net unrealized gain of $4.6 million. The identification of additional information or further deteriorations could result in additional impairments in future periods.

The Company evaluated the current status of all investments previously written down to determine whether the Company continues to believe that these investments were still credit-impaired to the extent previously recorded. The Company's evaluation process is similar to its impairment evaluation process. If evidence exists that the Company believes that it will receive its contractual cash flows from securities previously written down, the accretion of income is adjusted. The Company did not change its evaluation of any investments under this process during 2016 or 2015.

The Company's investment portfolio also includes mortgage loans, real estate, policy loans, and short-term investments. Mortgage loans comprised 16% and 17% of total invested assets at March 31, 2016 and December 31, 2015, respectively. Real estate investments were 5% of total invested assets at both March 31, 2016 and December 31, 2015. Policy loans and short-term investments comprised 3% of total invested assets at both March 31, 2016 and December 31, 2015.

Investments in mortgage loans totaled $572.2 million at March 31, 2016 ($590.0 million - December 31, 2015). The commercial mortgage loan portfolio decreased $17.7 million during the first quarter of 2016, primarily due to the volume of prepaid loans exceeding the amount of new loans. The Company had a $0.3 million increase in income from prepayment fees in the first quarter of 2016 relative to the same period in 2015. The increase in prepayment fees was primarily due to one large loan prepayment in the first quarter of 2016. The dollar volume of prepaid loans also increased in 2016. The Company's mortgage loans are mostly secured by commercial real estate and are stated at the outstanding principal balance, adjusted for amortization of premium and accrual of discount, less an allowance for loan losses. This allowance is maintained at a level believed by management to be adequate to absorb estimated credit losses and was $2.6 million at March 31, 2016 and $2.7 million at December 31, 2015.

Investments in real estate totaled $167.6 million at March 31, 2016 and $168.1 million at December 31, 2015. In the first quarter of 2016, the Company sold a developed property that resulted in a realized gain of $1.0 million before applicable income taxes.

Liquidity and Capital Resources

Liquidity
Statements made in the Company's Annual Report for the fiscal year ended December 31, 2015 remain pertinent, as the Company's liquidity position is materially unchanged from year-end 2015.

Net cash provided by operating activities was $2.0 million for the quarter ended March 31, 2016. The primary sources of cash from operating activities in the first quarter of 2016 were premium receipts and net investment income. The primary uses of cash from operating activities in the first quarter of 2016 were for the payment of policyholder benefits and operating expenses. Net cash used by investing activities was $1.0 million. The primary sources of cash were sales, maturities, calls, and principal paydowns of investments totaling $80.6 million. Offsetting these, the Company's investment purchases, including new mortgage loans and new policy loans, totaled $83.1 million. Net cash used for financing activities was $0.2 million, reflecting withdrawals, net of deposits, from policyholder account balances. In addition, $2.7 million of net transfers from separate accounts was offset by the payment of $2.6 million in stockholder dividends.

Capital Resources
The Company considers existing capital resources to be adequate to support the current level of business activities.

The following table shows the capital adequacy for the Company.

	March 31 2016	December 31 2015
Total assets, excluding separate accounts	$ 4,095,546	$ 4,048,949
Total stockholders' equity	690,916	663,831
Ratio of stockholders' equity to assets, excluding separate accounts	17%	16%

The ratio of equity to assets less separate accounts was 17% at March 31, 2016, up from 16% at December 31, 2015. Stockholders' equity increased $27.1 million from year-end 2015, primarily due to an increase in net unrealized gains compared to the prior year-end. Stockholders' equity per share, or book value, equaled $71.35 at March 31, 2016, an increase from $68.55 at year-end 2015.

Net unrealized gains on available for sale securities, which are included as part of accumulated other comprehensive income (loss) and as a component of stockholders' equity (net of securities losses, related taxes, policyholder account balances, future policy benefits, DAC, VOBA, and DRL), totaled $63.8 million at March 31, 2016. This $25.4 million increase from December 31, 2015 reflected lower market interest rates at March 31, 2016.

The Company's statutory equity exceeds the minimum capital deemed necessary to support its insurance business, as determined by the risk-based capital calculations and guidelines established by the National Association of Insurance Commissioners. The Company believes these statutory limitations impose no practical restrictions on its dividend payment plans.

The stock repurchase program was extended by the Board of Directors through January 2017 to permit the purchase of up to one million of the Company's shares on the open market. During the first quarter of 2016, the Company did not purchase any of its shares under the stock repurchase program. During the first quarter of 2015, the Company purchased 44,967 shares under the stock repurchase program, totaling $2.1 million.

On April 25, 2016, the Board of Directors declared a quarterly dividend of $0.27 per share to be paid on May 11, 2016 to stockholders of record on May 5, 2016.

Item 5. Legal Proceedings

There are no current, past, pending or threatened legal proceedings or administrative actions either by or against Kansas City Life Insurance Company that could be expected to have a material effect on our business, financial condition or operations. Our securities are not a party to any past or pending trading suspensions by a securities regulator. Please see the section entitled "Contingent Liabilities" in Note 15 of the financial statements shown in Exhibit 3.1.

Item 6. Defaults upon Senior Securities

None

Item 7. Other Information

None

Item 8. Exhibits

3.1 Unaudited Interim Consolidated Financial Statements

Item 9. Issuer's Certifications

I, R. Philip Bixby, certify that:

1. I have reviewed this quarterly disclosure statement of Kansas City Life Insurance Company;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: April 28, 2016

/s/ R. Philip Bixby
R. Philip Bixby
President, Chief Executive Officer,
and Chairman of the Board

I, Tracy W. Knapp, certify that:

1. I have reviewed this quarterly disclosure statement of Kansas City Life Insurance Company;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: April 28, 2016

/s/ Tracy W. Knapp
Tracy W. Knapp
Senior Vice President, Finance

Exhibit 3.1 Unaudited Interim Consolidated Financial Statements
Amounts in thousands, except share data, or as otherwise noted

Kansas City Life Insurance Company
Consolidated Balance Sheets

	March 31 2016 (Unaudited)	December 31 2015
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value	$ 2,656,211	$ 2,580,845
Equity securities available for sale, at fair value	25,294	25,325
Mortgage loans	572,230	589,960
Real estate	167,559	168,097
Policy loans	80,392	81,392
Short-term investments	20,724	22,474
Other investments	534	380
Total investments	3,522,944	3,468,473
Cash	8,670	7,851
Accrued investment income	35,271	33,023
Deferred acquisition costs	264,751	267,936
Reinsurance recoverables	193,052	198,834
Property and equipment	16,376	16,580
Other assets	54,482	56,252
Separate account assets	371,063	372,924
Total assets	$ 4,466,609	$ 4,421,873
LIABILITIES		
Future policy benefits	$ 935,570	$ 926,385
Policyholder account balances	2,052,816	2,056,126
Policy and contract claims	38,446	37,959
Other policyholder funds	175,272	174,353
Other liabilities	202,526	190,295
Separate account liabilities	371,063	372,924
Total liabilities	3,775,693	3,758,042
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	857,839	856,196
Accumulated other comprehensive income (loss)	10,232	(15,210)
Treasury stock, at cost (2016 and 2015 - 8,813,266 shares)	(241,301)	(241,301)
Total stockholders' equity	690,916	663,831
Total liabilities and stockholders' equity	$ 4,466,609	$ 4,421,873

See accompanying Notes to Consolidated Financial Statements

Kansas City Life Insurance Company
Consolidated Statements of Comprehensive Income

	Quarter Ended March 31 2016	Quarter Ended March 31 2015
	(Unaudited)	
REVENUES		
Insurance revenues:		
Net premiums	$ 42,102	$ 40,976
Contract charges	28,423	28,392
Total insurance revenues	70,525	69,368
Investment revenues:		
Net investment income	38,108	39,692
Net realized investment gains (losses), excluding other-than-temporary impairment losses	2,472	(28)
Net impairment losses recognized in earnings:		
Total other-than-temporary impairment losses	(17)	—
Portion of impairment losses recognized in other comprehensive income	(7)	(7)
Net other-than-temporary impairment losses recognized in earnings	(24)	(7)
Total investment revenues	40,556	39,657
Other revenues	1,473	1,780
Total revenues	112,554	110,805
BENEFITS AND EXPENSES		
Policyholder benefits	54,354	50,342
Interest credited to policyholder account balances	18,020	18,439
Amortization of deferred acquisition costs	9,559	8,384
Operating expenses	24,388	24,118
Total benefits and expenses	106,321	101,283
Income before income tax expense	6,233	9,522
Income tax expense	1,976	2,744
NET INCOME	$ 4,257	$ 6,778
COMPREHENSIVE INCOME, NET OF TAXES		
Change in net unrealized gains on securities available for sale, net of DAC, VOBA, and DRL	$ 30,256	$ 16,020
Change in future policy benefits	(4,665)	(2,989)
Change in policyholder account balances	(149)	(98)
Other comprehensive income	25,442	12,933
COMPREHENSIVE INCOME	$ 29,699	$ 19,711
Basic and diluted earnings per share:		
Net income	$ 0.44	$ 0.63

See accompanying Notes to Consolidated Financial Statements

Kansas City Life Insurance Company
Consolidated Statements of Cash Flows

	Quarter Ended March 31	
	2016	2015
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$ 4,257	$ 6,778
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of investment premium and discount	1,132	1,031
Depreciation	1,333	1,399
Acquisition costs capitalized	(10,314)	(8,773)
Amortization of deferred acquisition costs	9,559	8,384
Realized investment (gains) losses	(2,448)	35
Changes in assets and liabilities:		
Reinsurance recoverables	5,782	415
Future policy benefits	2,009	(55)
Policyholder account balances	(6,394)	(6,855)
Income taxes payable and deferred	977	2,745
Other, net	(3,890)	(2,398)
Net cash provided	2,003	2,706
INVESTING ACTIVITIES		
Purchases:		
Fixed maturity securities	(64,644)	(77,172)
Equity securities	(3)	—
Mortgage loans	(13,294)	(28,007)
Real estate	(1,201)	(464)
Policy loans	(3,826)	(3,863)
Other investments	(157)	—
Sales or maturities, calls, and principal paydowns:		
Fixed maturity securities	43,154	63,375
Equity securities	118	—
Mortgage loans	31,065	23,953
Real estate	1,454	—
Policy loans	4,826	4,572
Other investments	4	16
Net sales of short-term investments	1,750	14,513
Acquisition of property and equipment	(204)	(202)
Net cash used	(958)	(3,279)

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

	Quarter Ended March 31	
	2016	2015
	(Unaudited)	
FINANCING ACTIVITIES		
Deposits on policyholder account balances	$ 54,020	$ 55,714
Withdrawals from policyholder account balances	(54,210)	(55,633)
Net transfers from separate accounts	2,670	805
Change in other deposits	(92)	2,253
Cash dividends to stockholders	(2,614)	(2,919)
Net change in treasury stock	—	(2,091)
Net cash used	(226)	(1,871)
Increase (decrease) in cash	819	(2,444)
Cash at beginning of year	7,851	11,011
Cash at end of period	$ 8,670	$ 8,567

See accompanying Notes to Consolidated Financial Statements

1. Nature of Operations and Significant Accounting Policies

Basis of Presentation
The unaudited interim consolidated financial statements and the accompanying notes include the accounts of the consolidated entity (the Company), which primarily consists of three life insurance companies. Kansas City Life Insurance Company (Kansas City Life) is the parent company. Sunset Life Insurance Company of America (Sunset Life) and Old American Insurance Company (Old American) are wholly-owned subsidiaries. The Company also has several non-insurance subsidiaries that individually and collectively are not material.

The unaudited interim consolidated financial statements have been prepared on the basis of GAAP for interim financial reporting. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. As such, these unaudited interim consolidated financial statements should be read in conjunction with the Company's Annual Report for the fiscal year ended December 31, 2015, which has been posted to the OTC Markets website. Management believes that the disclosures are adequate to make the information presented not misleading, and all normal and recurring adjustments necessary to present fairly the financial position and the results of operations for all periods presented have been made. The results of operations for any interim period are not necessarily indicative of the Company's operating results for a full year. Significant intercompany transactions have been eliminated in consolidation and certain immaterial reclassifications have been made to prior period results to conform with the current period's presentation.

The preparation of the unaudited interim consolidated financial statements requires management of the Company to make estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited interim consolidated financial statements, and the reported amounts of revenue and expenses during the period. These estimates are inherently subject to change and actual results could differ from these estimates.

Significant Accounting Policies
Please refer to the Company's Annual Report for the fiscal year ended December 31, 2015 for a full discussion of the Company's significant accounting policies. No significant updates or changes to these policies occurred during the quarter ended March 31, 2016.

2. New Accounting Pronouncements

Accounting Pronouncements Adopted
In January 2015, the Financial Accounting Standards Board (FASB) issued guidance that eliminated the concept of extraordinary items. While the requirement for entities to consider whether an underlying event or transaction is extraordinary was eliminated, the presentation and disclosure guidance for items that are unusual in nature or occur infrequently was retained and was expanded to include items that are both unusual in nature and occur infrequently. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company adopted this guidance as of January 1, 2016 with no material impact to the consolidated financial statements.

In February 2015, the FASB issued guidance regarding the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. Under this guidance, previous consolidation conclusions may change and additional disclosures may be required. This guidance is effective for public entities for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. The Company adopted this guidance as of January 1, 2016 with no material impact to the consolidated financial statements.

In April 2015, the FASB issued guidance regarding a customer's accounting for fees paid in a cloud computing arrangement and whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, a customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, a customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer's accounting for service contracts. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The Company adopted this guidance as of January 1, 2016 with no material impact to the consolidated financial statements.

In July 2015, the FASB issued guidance regarding employee benefit accounting. The guidance is divided into three parts. First, the guidance requires a pension plan to use contract value as the only required measure for fully benefit-responsive investment contracts. Second, the guidance simplifies and increases the effectiveness of the investment disclosure requirements for employee benefit plans. Third, the guidance provides benefit plans with a measurement date practical expedient. This guidance is effective for fiscal years beginning after December 15, 2015. The Company adopted this guidance as of January 1, 2016 with no material impact to the consolidated financial statements.

Accounting Pronouncements Issued, Not Yet Adopted

In February 2016, the FASB issued guidance regarding leases. This guidance includes a lessee model that will cause most leases to be reported on the balance sheet. In addition, the guidance aligns existing GAAP pertaining to leases with the new revenue recognition model that will be effective for periods beginning after December 15, 2017. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating this guidance.

In March 2016, the FASB issued guidance to simplify the transition of certain investments to the equity method of accounting. This guidance eliminates the retroactive application previously required for when an investment qualifies for the use of the equity method. Instead, the cost of acquiring the additional interest in the investee is to be added to the current basis of the investor's previously held interest as of the date the investment becomes qualified for equity method accounting. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. The Company is currently evaluating this guidance, but it does not believe that there will be a material impact to the consolidated financial statements.

No changes were made in the evaluation of accounting pronouncements issued but not yet adopted that were disclosed in previous reports during the quarter ended March 31, 2016.

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 the Company at this time or were not expected to have a material impact to the consolidated financial statements.

3. Investments

Fixed Maturity and Equity Securities Available for Sale

Securities by Asset Class
The following table provides amortized cost and fair value of securities by asset class at March 31, 2016.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 151,744	$ 11,074	$ 4	$ 162,814
Federal agencies [1]	19,786	1,312	—	21,098
Federal agency issued residential mortgage-backed securities [1]	31,767	3,772	1	35,538
Subtotal	203,297	16,158	5	219,450
Corporate obligations:				
Industrial	534,273	31,679	5,138	560,814
Energy	232,034	8,033	10,210	229,857
Communications and technology	235,125	17,436	1,181	251,380
Financial	207,383	15,254	1,262	221,375
Consumer	553,400	28,663	546	581,517
Public utilities	226,439	19,393	185	245,647
Subtotal	1,988,654	120,458	18,522	2,090,590
Corporate private-labeled residential mortgage-backed securities	66,745	2,543	63	69,225
Municipal securities	139,816	23,609	—	163,425
Other	95,250	3,403	3,035	95,618
Redeemable preferred stocks	17,427	476	—	17,903
Fixed maturity securities	2,511,189	166,647	21,625	2,656,211
Equity securities	23,923	1,912	541	25,294
Total	$ 2,535,112	$ 168,559	$ 22,166	$ 2,681,505

[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 securities by asset class at December 31, 2015.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 148,930	$ 7,397	$ 202	$ 156,125
Federal agencies [1]	19,782	1,415	—	21,197
Federal agency issued residential mortgage-backed securities [1]	34,015	3,545	1	37,559
Subtotal	202,727	12,357	203	214,881
Corporate obligations:				
Industrial	532,880	22,283	10,654	544,509
Energy	231,639	6,768	11,388	227,019
Communications and technology	233,063	11,538	2,368	242,233
Financial	210,142	12,764	1,409	221,497
Consumer	534,073	18,133	2,905	549,301
Public utilities	223,172	17,368	241	240,299
Subtotal	1,964,969	88,854	28,965	2,024,858
Corporate private-labeled residential mortgage-backed securities	70,761	3,436	20	74,177
Municipal securities	134,079	18,844	74	152,849
Other	96,365	2,926	2,859	96,432
Redeemable preferred stocks	17,437	310	99	17,648
Fixed maturity securities	2,486,338	126,727	32,220	2,580,845
Equity securities	24,067	1,832	574	25,325
Total	$ 2,510,405	$ 128,559	$ 32,794	$ 2,606,170

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

Contractual Maturities

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

	March 31, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 126,595	$ 127,889	$ 115,294	$ 117,145
Due after one year through five years	805,413	859,019	735,559	779,402
Due after five years through ten years	1,063,027	1,104,157	1,117,415	1,126,585
Due after ten years	356,709	395,282	349,789	378,861
Securities with variable principal payments	142,018	151,961	150,844	161,204
Redeemable preferred stocks	17,427	17,903	17,437	17,648
Total	$ 2,511,189	$ 2,656,211	$ 2,486,338	$ 2,580,845

No material derivative financial instruments were held during the quarter ended March 31, 2016 or the year ended December 31, 2015.

Unrealized Losses on Investments

At the end of each quarter, all securities are reviewed to determine whether impairments exist and whether other-than-temporary impairments should be recorded. This quarterly process includes an assessment of the credit quality of each investment in the entire securities portfolio. Additional reporting and review procedures are conducted for those securities where fair value is less than 90% of amortized cost. The Company prepares a formal review document no less often than quarterly of all investments where fair value is less than 80% of amortized cost for six months or more and selected investments that have changed significantly from a previous period and that have a decline in fair value greater than 10% of amortized cost. Additional information on the Company's process and considerations, as well as related accounting when other-than-temporary impairments are identified, is provided in Note 3 - Investments of the Company's Annual Report for the fiscal year ended December 31, 2015.

The following table provides information regarding fixed maturity and equity security investments available for sale with unrealized losses by length of time at March 31, 2016.

	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	$ 442	$ 4	$ —	$ —	$ 442	$ 4
Federal agency issued residential mortgage-backed securities [1]	244	—	46	1	290	1
Subtotal	686	4	46	1	732	5
Corporate obligations:						
Industrial	41,327	3,728	30,910	1,410	72,237	5,138
Energy	51,370	3,159	47,016	7,051	98,386	10,210
Communications and technology	13,209	860	6,598	321	19,807	1,181
Financial	5,275	702	1,343	560	6,618	1,262
Consumer	7,480	151	17,357	395	24,837	546
Public utilities	3,375	138	2,953	47	6,328	185
Subtotal	122,036	8,738	106,177	9,784	228,213	18,522
Corporate private-labeled residential mortgage-backed securities	980	16	2,592	47	3,572	63
Other	9,652	545	36,779	2,490	46,431	3,035
Fixed maturity securities	133,354	9,303	145,594	12,322	278,948	21,625
Equity securities	127	493	62	48	189	541
Total	$ 133,481	$ 9,796	$ 145,656	$ 12,370	$ 279,137	$ 22,166

[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 and equity security investments available for sale with unrealized losses by length of time at December 31, 2015.

	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	$ 19,447	$ 202	$ —	$ —	$ 19,447	$ 202
Federal agency issued residential mortgage-backed securities [1]	47	—	291	1	338	1
Subtotal	19,494	202	291	1	19,785	203
Corporate obligations:						
Industrial	153,258	10,151	2,492	503	155,750	10,654
Energy	76,838	5,638	34,313	5,750	111,151	11,388
Communications and technology	53,751	2,368	—	—	53,751	2,368
Financial	18,040	927	1,421	482	19,461	1,409
Consumer	121,261	2,573	7,192	332	128,453	2,905
Public utilities	15,983	241	—	—	15,983	241
Subtotal	439,131	21,898	45,418	7,067	484,549	28,965
Corporate private-labeled residential mortgage-backed securities	3,734	20	—	—	3,734	20
Municipal securities	3,118	74	—	—	3,118	74
Other	15,742	386	33,366	2,473	49,108	2,859
Redeemable preferred stocks	—	—	6,925	99	6,925	99
Fixed maturity securities	481,219	22,580	86,000	9,640	567,219	32,220
Equity securities	2,156	574	—	—	2,156	574
Total	$ 483,375	$ 23,154	$ 86,000	$ 9,640	$ 569,375	$ 32,794

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

At March 31, 2016, the Company had 110 issues in its investment portfolio of fixed maturity and equity securities with unrealized losses. Included in this total, 59 security issues were below cost for less than one year; 43 security issues were below cost for one year or more and less than three years; and eight security issues were below cost for three years or more. At December 31, 2015, the Company had 207 issues in its investment portfolio of fixed maturity and equity securities with unrealized losses. Included in this total, 179 security issues were below cost for less than one year; 19 security issues were below cost for one year or more and less than three years; and nine security issues were below cost for three years or more.

The Company does not consider these unrealized losses to be credit-related. The unrealized losses at March 31, 2016 primarily relate 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. Other investment securities include residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities, for which a discounted cash flow calculation is typically performed to determine any credit-related losses.

The following table summarizes the Company's investments in securities available for sale with unrealized losses at March 31, 2016.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$ 223,217	$ 215,547	$ 7,670
Unrealized losses of 20% or less and greater than 10%	51,006	43,320	7,686
Subtotal	274,223	258,867	15,356
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	8,949	6,092	2,857
Twelve months or greater	908	523	385
Total investment grade	9,857	6,615	3,242
Below investment grade:			
Less than twelve months	9,944	6,572	3,372
Twelve months or greater	—	—	—
Total below investment grade	9,944	6,572	3,372
Unrealized losses greater than 20%	19,801	13,187	6,614
Subtotal	294,024	272,054	21,970
Securities owned with realized impairment:			
Unrealized losses of 10% or less	7,169	7,021	148
Unrealized losses of 20% or less and greater than 10%	—	—	—
Subtotal	7,169	7,021	148
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	110	62	48
Twelve months or greater	—	—	—
Total investment grade	110	62	48
Below investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total below investment grade	—	—	—
Unrealized losses greater than 20%	110	62	48
Subtotal	7,279	7,083	196
Total	$ 301,303	$ 279,137	$ 22,166

The following table summarizes the Company's investments in securities available for sale with unrealized losses at December 31, 2015.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$ 511,941	$ 496,587	$ 15,354
Unrealized losses of 20% or less and greater than 10%	57,124	48,447	8,677
Subtotal	569,065	545,034	24,031
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	18,096	12,944	5,152
Twelve months or greater	908	596	312
Total investment grade	19,004	13,540	5,464
Below investment grade:			
Less than twelve months	5,893	2,743	3,150
Twelve months or greater	—	—	—
Total below investment grade	5,893	2,743	3,150
Unrealized losses greater than 20%	24,897	16,283	8,614
Subtotal	593,962	561,317	32,645
Securities owned with realized impairment:			
Unrealized losses of 10% or less	8,097	8,013	84
Unrealized losses of 20% or less and greater than 10%	—	—	—
Subtotal	8,097	8,013	84
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	110	45	65
Twelve months or greater	—	—	—
Total investment grade	110	45	65
Below investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total below investment grade	—	—	—
Unrealized losses greater than 20%	110	45	65
Subtotal	8,207	8,058	149
Total	$ 602,169	$ 569,375	$ 32,794

The following table provides information on fixed maturity securities with gross unrealized losses by actual or equivalent Standard & Poor's rating at March 31, 2016.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	$ —	—%	$ —	—%
AA	19,015	7%	1,335	6%
A	47,551	17%	2,222	10%
BBB	169,206	61%	13,523	63%
Total investment grade	235,772	85%	17,080	79%
BB	28,539	10%	2,310	11%
B and below	14,637	5%	2,235	10%
Total below investment grade	43,176	15%	4,545	21%
	$ 278,948	100%	$ 21,625	100%

The following table provides information on fixed maturity securities with gross unrealized losses by actual or equivalent Standard & Poor's rating at December 31, 2015.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	$ 10,050	2%	$ 198	1%
AA	79,448	14%	2,570	8%
A	161,483	28%	4,928	15%
BBB	280,178	50%	20,569	64%
Total investment grade	531,159	94%	28,265	88%
BB	25,465	4%	3,798	12%
B and below	10,595	2%	157	—%
Total below investment grade	36,060	6%	3,955	12%
	$ 567,219	100%	$ 32,220	100%

The Company's residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade were 40% and 41% of the below investment grade total at March 31, 2016 and December 31, 2015, respectively.

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

	March 31, 2016		December 31, 2015	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturity securities available for sale:				
Due in one year or less	$ 4,906	$ 123	$ —	$ —
Due after one year through five years	38,859	2,384	68,757	1,548
Due after five years through ten years	178,167	14,740	421,519	26,164
Due after ten years	53,148	4,314	65,939	4,388
Total	275,080	21,561	556,215	32,100
Securities with variable principal payments	3,868	64	4,079	21
Redeemable preferred stocks	—	—	6,925	99
Total	$ 278,948	$ 21,625	$ 567,219	$ 32,220

The Company recorded other-than-temporary impairments for corporate private-labeled residential mortgage-backed and other securities in earnings of less than $0.1 million in both quarters ended March 31, 2016 and 2015. The Company determined the other-than-temporary impairments recorded in earnings based upon the present value of projected future cash flows.

The Company also monitors structured securities through a combination of an analysis of vintage, credit ratings, and other factors. Structured securities include asset-backed residential mortgage-backed securities, along with collateralized debt obligations and other collateralized obligations.

The following tables divide these investment types among vintage and credit ratings.

	March 31, 2016		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Residential & non-agency MBS: [1]			
Investment Grade:			
Vintage 2003 and earlier	$ 4,283	$ 4,156	$ 127
2004	4,953	4,790	163
2005	2,568	2,557	11
Total investment grade	11,804	11,503	301
Below Investment Grade:			
Vintage 2003 and earlier	2,155	2,121	34
2004	19,877	19,157	720
2005	39,599	38,355	1,244
2006	1,715	695	1,020
2007	2,661	2,548	113
Total below investment grade	66,007	62,876	3,131
Other structured securities:			
Investment grade	56,347	56,792	(445)
Below investment grade	14,787	15,585	(798)
Total other	71,134	72,377	(1,243)
Total structured securities	$ 148,945	$ 146,756	$ 2,189

[1] This table accounts for all vintages owned by the Company.

	December 31, 2015		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Residential & non-agency MBS: [1]			
Investment grade:			
Vintage 2003 and earlier	$ 4,478	$ 4,313	$ 165
2004	5,203	4,980	223
2005	2,670	2,659	11
Total investment grade	12,351	11,952	399
Below investment grade:			
Vintage 2003 and earlier	2,233	2,137	96
2004	22,011	21,055	956
2005	41,966	40,223	1,743
2006	1,873	817	1,056
2007	2,883	2,700	183
Total below investment grade	70,966	66,932	4,034
Other structured securities:			
Investment grade	56,601	57,416	(815)
Below investment grade	14,714	15,585	(871)
Total other	71,315	73,001	(1,686)
Total structured securities	$ 154,632	$ 151,885	$ 2,747

[1] This table accounts for all vintages owned by the Company.

The following table provides a reconciliation of credit losses recognized in earnings on fixed maturity securities held by the Company for which a portion of the other-than-temporary impairment loss was recognized in other comprehensive income.

	Quarter Ended March 31	
	2016	2015
Credit losses on securities held at beginning of the period	$ 20,350	$ 17,889
Additions for increases in the credit loss for which an other-than-temporary impairment was previously recognized when there was no intent to sell the security before recovery of its amortized cost basis	24	7
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	(5)	(5)
Credit losses on securities held at the end of the period	$ 20,369	$ 17,891

Realized Gains (Losses)

The following table provides detail concerning realized investment gains and losses.

	Quarter Ended March 31	
	2016	2015
Gross gains resulting from:		
Sales of investment securities	$ 248	$ —
Investment securities called and other	1,262	227
Real estate	1,020	—
Total gross gains	2,530	227
Gross losses resulting from:		
Sales of investment securities	(86)	—
Investment securities called and other	(1)	(50)
Mortgage loans	(4)	(193)
Total gross losses	(91)	(243)
Change in allowance for loan losses	76	(9)
Amortization of DAC, VOBA, and DRL	(43)	(3)
Net realized investment gains (losses), excluding other-than-temporary impairment losses	2,472	(28)
Net impairment losses recognized in earnings:		
Other-than-temporary impairment losses on fixed maturity and equity securities	(17)	—
Portion of loss recognized in other comprehensive income	(7)	(7)
Net other-than-temporary impairment losses recognized in earnings	(24)	(7)
Net realized investment gains (losses)	$ 2,448	$ (35)

Proceeds From Sales of Investment Securities

Proceeds from the sale of fixed maturity and equity securities, excluding maturities and calls, were $7.9 million for the quarter ended March 31, 2016. There were no sales of fixed maturity and equity securities, excluding maturities and calls, during the quarter ended March 31, 2015.

Mortgage Loans

Investments in mortgage loans totaled $572.2 million at March 31, 2016, compared to $590.0 million at December 31, 2015. The Company's mortgage loans are mostly secured by commercial real estate and are stated at cost, adjusted for amortization of premium and accrual of discount, less an allowance for loan losses. This allowance is maintained at a level believed by management to be adequate to absorb estimated credit losses and was $2.6 million at March 31, 2016 and $2.7 million at December 31, 2015. The Company had 16% of its total investments in commercial mortgage loans at March 31, 2016 and 17% at December 31, 2015. In addition to the subject collateral underlying the mortgage, the Company typically requires some amount of recourse from borrowers as another potential source of repayment. The recourse requirement is determined as part of the underwriting requirements of each loan. The average loan-to-value ratio for the overall portfolio was 47% at both March 31, 2016 and December 31, 2015. These ratios are based upon the current balance of loans relative to the appraisal of value at the time the loan was originated or acquired.

The Company may refinance commercial mortgage loans prior to contractual maturity as a means of originating new loans that meet the Company's underwriting and pricing parameters. The Company refinanced three loans with outstanding balances totaling $6.5 million during the quarter ended March 31, 2016 and three loans with outstanding balances totaling $4.5 million during the quarter ended March 31, 2015. None of these refinancings were the result of troubled debt restructuring.

In the normal course of business, the Company commits 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 Company retains the commitment fee. For additional information, please see Note 15 - Commitments, Contingent Liabilities, Guarantees, and Indemnifications.

4. Fair Value Measurements

Under GAAP, fair value represents the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. It is the Company’s practice to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements.

The Company follows the fair value hierarchy under existing GAAP requirements. The Company made no changes to its categories as disclosed in its Annual Report. Please refer to the Company's Annual Report for the year ended December 31, 2015 for a full discussion of policies regarding fair value measurements.

Categories Reported at Fair Value

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

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 12,313	$ 150,501	$ —	$ 162,814
Federal agencies [1]	—	21,098	—	21,098
Federal agency issued residential mortgage-backed securities [1]	—	35,538	—	35,538
Subtotal	12,313	207,137	—	219,450
Corporate obligations:				
Industrial	—	560,814	—	560,814
Energy	—	229,857	—	229,857
Communications and technology	—	251,380	—	251,380
Financial	—	221,375	—	221,375
Consumer	—	581,517	—	581,517
Public utilities	—	245,647	—	245,647
Subtotal	—	2,090,590	—	2,090,590
Corporate private-labeled residential mortgage-backed securities	—	69,225	—	69,225
Municipal securities	—	163,425	—	163,425
Other	—	94,968	650	95,618
Redeemable preferred stocks	—	17,903	—	17,903
Fixed maturity securities	12,313	2,643,248	650	2,656,211
Equity securities	5,313	19,981	—	25,294
Total	$ 17,626	$ 2,663,229	$ 650	$ 2,681,505
Percent of total	1%	99%	—%	100%
Liabilities:				
Other policyholder funds				
Guaranteed minimum withdrawal benefits	$ —	$ —	$ (1,094)	$ (1,094)
Total	$ —	$ —	$ (1,094)	$ (1,094)

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

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 9,704	$ 146,421	$ —	$ 156,125
Federal agencies [1]	—	21,197	—	21,197
Federal agency issued residential mortgage-backed securities [1]	—	37,559	—	37,559
Subtotal	9,704	205,177	—	214,881
Corporate obligations:				
Industrial	—	544,509	—	544,509
Energy	—	227,019	—	227,019
Communications and technology	—	242,233	—	242,233
Financial	—	221,497	—	221,497
Consumer	—	549,301	—	549,301
Public utilities	—	240,299	—	240,299
Subtotal	—	2,024,858	—	2,024,858
Corporate private-labeled residential mortgage-backed securities	—	74,177	—	74,177
Municipal securities	—	152,849	—	152,849
Other	—	95,855	577	96,432
Redeemable preferred stocks	—	17,648	—	17,648
Fixed maturity securities	9,704	2,570,564	577	2,580,845
Equity securities	5,166	20,159	—	25,325
Total	$ 14,870	$ 2,590,723	$ 577	$ 2,606,170
Percent of total	1%	99%	—%	100%
Liabilities:				
Other policyholder funds				
Guaranteed minimum withdrawal benefits	$ —	$ —	$ (2,778)	$ (2,778)
Total	$ —	$ —	$ (2,778)	$ (2,778)

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

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

	Quarter Ended March 31, 2016	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ 577	$ (2,778)
Included in earnings	—	1,834
Included in other comprehensive income	73	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	163
Sales	—	—
Other dispositions	—	(313)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ 650	$ (1,094)

	Year Ended December 31, 2015	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ 759	$ (1,094)
Included in earnings	(193)	(1,488)
Included in other comprehensive income	306	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	330
Sales	—	—
Other dispositions	(295)	(526)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ 577	$ (2,778)

Depending upon the availability of Level 1 or Level 2 pricing, specific securities may transfer into or out of Level 3. The Company did not have any transfers between any levels at March 31, 2016 or December 31, 2015.

The Company's assets categorized as Level 3 instruments are primarily fixed maturity securities, totaling $0.7 million at March 31, 2016 and $0.6 million as of December 31, 2015. These assets are valued using discounted cash flow models for which the significant assumptions are not observable in the market.

The Company's 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. The Company's mortality, lapse, benefit utilization and nonperformance risk adjustment are unobservable. Increases in mortality, lapses, and credit spreads used for nonperformance risk reduce the liability, while increases in benefit utilization increase the liability. Please refer to the Company's Annual Report for the year ended December

31, 2015 for information regarding the valuation method for the GMWB liability and the unobservable inputs and ranges used in the valuation of those financial instruments, which had not materially changed at March 31, 2016.

The Company estimates that the impact of unobservable inputs at March 31, 2016 was as follows: a 10% increase in the mortality assumption would reduce the liability $0.1 million; a 10% decrease in the lapse assumption would increase the liability $0.3 million; a 10% increase in the benefit utilization would increase the liability $0.9 million; and a 10 basis point increase in the credit spreads used for non-performance would decrease the liability $0.4 million.

The Company estimates that the impact of unobservable inputs at December 31, 2015 was as follows: a 10% increase in the mortality assumption would reduce the liability less than $0.1 million; a 10% decrease in the lapse assumption would increase the liability $0.2 million; a 10% increase in the benefit utilization would increase the liability $0.7 million; and a 10 basis point increase in the credit spreads used for non-performance would decrease the liability $0.3 million.

The following tables present a summary of fair value estimates for financial instruments. The Company has not included assets and liabilities that are not financial instruments in this disclosure. The total of the fair value calculations presented below may not be indicative of the value that can be obtained.

	March 31, 2016				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
Investments:					
Fixed maturity securities available for sale	$ 2,656,211	$ 12,313	$ 2,643,248	$ 650	$ 2,656,211
Equity securities available for sale	25,294	5,313	19,981	—	25,294
Mortgage loans	572,230	—	—	596,115	596,115
Policy loans	80,392	—	—	80,392	80,392
Cash and short-term investments	29,394	29,394	—	—	29,394
Separate account assets	371,063	—	371,063	—	371,063
Liabilities:					
Individual and group annuities	1,074,680	—	—	1,056,256	1,056,256
Supplementary contracts and annuities without life contingencies	54,339	—	—	53,242	53,242
Separate account liabilities	371,063	—	371,063	—	371,063
Other policyholder funds - GMWB	(1,094)	—	—	(1,094)	(1,094)

	December 31, 2015				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
Investments:					
Fixed maturity securities available for sale	$ 2,580,845	$ 9,704	$ 2,570,564	$ 577	$ 2,580,845
Equity securities available for sale	25,325	5,166	20,159	—	25,325
Mortgage loans	589,960	—	—	606,708	606,708
Policy loans	81,392	—	—	81,392	81,392
Cash and short-term investments	30,325	30,325	—	—	30,325
Separate account assets	372,924	—	372,924	—	372,924
Liabilities:					
Individual and group annuities	1,073,592	—	—	1,055,052	1,055,052
Supplementary contracts and annuities without life contingencies	54,136	—	—	52,636	52,636
Separate account liabilities	372,924	—	372,924	—	372,924
Other policyholder funds - GMWB	(2,778)	—	—	(2,778)	(2,778)

5. Financing Receivables

The Company has financing receivables that have a specific maturity date, either on demand or on a fixed or determinable date, that are recognized as assets in the Consolidated Balance Sheets.

The table below identifies the Company's financing receivables by classification amount.

	March 31 2016	December 31 2015
Receivables:		
Agent receivables, net (allowance $1,135; 2015 - $1,197)	$ 1,702	$ 1,602
Investment-related financing receivables:		
Mortgage loans, net (allowance $2,583; 2015 - $2,659)	572,230	589,960
Total financing receivables	$ 573,932	$ 591,562

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

	March 31 2016	December 31 2015
Beginning of year	$ 1,197	$ 2,003
Additions	29	128
Deductions	(91)	(934)
End of period	$ 1,135	$ 1,197

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

	March 31 2016	December 31 2015
Mortgage loans collectively evaluated for impairment	$ 567,474	$ 585,207
Mortgage loans individually evaluated for impairment	7,339	7,412
Allowance for loan losses	(2,583)	(2,659)
Carrying value	$ 572,230	$ 589,960

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

	March 31 2016	December 31 2015
Beginning of year	$ 2,659	$ 1,914
Provision	(76)	745
Deductions	—	—
End of period	$ 2,583	$ 2,659

Agent Receivables

The Company has agent receivables that are classified as financing receivables and are reduced by an allowance for doubtful accounts. These trade receivables from agents are long-term in nature and are specifically assessed as to the collectibility of each receivable. The Company's gross agent receivables totaled $2.8 million at March 31, 2016 with an allowance for doubtful accounts totaling $1.1 million. Gross agent receivables totaled $2.8 million with an allowance for doubtful accounts of $1.2 million at December 31, 2015. The Company has two types of agent receivables including:

- Agent specific loans. At March 31, 2016. these loans totaled $0.9 million and the allowance for doubtful accounts was $0.3 million. At December 31, 2015, these loans totaled $1.0 million, and the allowance for doubtful accounts was $0.3 million.

- Other agent receivables. Gross agent receivables in this category totaled $1.9 million, and the allowance for doubtful accounts was $0.8 million at March 31, 2016. Gross agent receivables totaled $1.8 million, and the allowance for doubtful accounts was $0.9 million at December 31, 2015.

Mortgage Loans
The Company considers its mortgage loan portfolio to be long-term financing receivables. Please refer to the Company's Annual Report for the year ended December 31, 2015 for additional information regarding its mortgage loans.

The following table presents an aging schedule for delinquent payments for both principal and interest by property type.

		Amount of Payments Past Due			
	Book Value	30-59 Days	60-89 Days	> 90 Days	Total
March 31, 2016					
Industrial	$ —	$ —	$ —	$ —	$ —
Office	1,726	15	—	—	15
Medical	4,970	75	75	—	150
Other	—	—	—	—	—
Total	$ 6,696	$ 90	$ 75	$ —	$ 165
December 31, 2015					
Industrial	$ —	$ —	$ —	$ —	$ —
Office	5,064	74	—	—	74
Medical	—	—	—	—	—
Other	—	—	—	—	—
Total	$ 5,064	$ 74	$ —	$ —	$ 74

There were two mortgage loans that were over 30 days past due at March 31, 2016. There was one mortgage loan that was over 30 days past due at December 31, 2015.

6. Variable Interest Entities

The Company invests in certain affordable housing and real estate joint ventures which are considered to be variable interest entities (VIEs) and are included in Real Estate in the Consolidated Balance Sheets. Please refer to the Company's Annual Report for the year ended December 31, 2015 for a full discussion of the Company's VIEs.

The Company amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the Consolidated Statements of Comprehensive Income as a component of income tax expense. The tax credits are recognized as a reduction of tax expense. The Company realized federal income tax credits related to these investments of $0.7 million for both the first quarters ended March 31, 2016 and 2015, respectively. The Company also recognized $0.3 million and $0.4 million of amortization related to these investments for the first quarters ended March 31, 2016 and 2015, respectively.

Investments in the affordable housing and real estate joint ventures are interests that will absorb portions of the VIE's expected losses or receive portions of expected residual returns of the VIE's net assets exclusive of variable interests. The Company makes an assessment of whether it is the primary beneficiary of a VIE at the time of the initial investment and on an ongoing basis thereafter.

The following table presents the carrying amount and maximum exposure to loss relating to VIEs for which the Company holds a variable interest, but is not the primary beneficiary, and which had not been consolidated at March 31, 2016 and December 31, 2015. The table includes investments in five real estate joint ventures and 22 affordable housing real estate joint ventures at both March 31, 2016 and December 31, 2015.

	March 31 2016		December 31 2015	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate joint ventures	$ 21,232	$ 21,232	$ 21,269	$ 21,269
Affordable housing real estate joint ventures	11,202	51,345	11,542	51,686
Total	$ 32,434	$ 72,577	$ 32,811	$ 72,955

The maximum exposure to loss relating to the real estate joint ventures and affordable housing real estate joint ventures, as shown in the table above, 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 to the Company. Unfunded equity and loan commitments typically require financial or operating performance by other parties and have not yet become due or payable but which may become due in the future.

At March 31, 2016 and December 31, 2015, the Company had no mortgage loan or equity commitments outstanding to the real estate joint venture VIEs. The Company has contingent commitments to fund additional equity contributions for operating support to certain real estate joint venture VIEs, which could result in additional exposure to loss. However, the Company is not able to quantify the amount of these contingent commitments.

In addition, the maximum exposure to loss on affordable housing joint ventures at March 31, 2016 and December 31, 2015 included $28.9 million and $28.6 million, respectively, of losses which could be realized if the tax credits received by the VIEs were recaptured. Recapture events would cause the Company to reverse some or all of the benefit previously recognized by the Company 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. The potential exposure due to recapture may be mitigated by guarantees from the managing member or managing partner in the VIE, insurance contracts, or changes in the residual value accruing to the Company's interests in the VIEs.

7. Separate Accounts

Separate account assets and liabilities arise from the sale of variable universal life insurance and variable annuity products. The separate account represents funds segregated for the benefit of certain policyholders who bear the investment risk. The assets are legally segregated and are not subject to claims which may arise from any other business of the Company. The separate account assets and liabilities, which are equal, are recorded at fair value based upon the net asset value (NAV) of the underlying investment holdings as derived from closing prices on a national exchange or as provided by the issuer. Policyholder account deposits and withdrawals, investment income, and realized investment gains and losses are excluded from the amounts reported in the Consolidated Statements of Comprehensive Income. Revenues to the Company from separate accounts consist principally of contract charges, which include maintenance charges, administrative fees, and mortality and expense charges.

The Company has a GMWB rider that can be added to new or existing variable annuity contracts. The value of the separate accounts with the GMWB rider is recorded at fair value of $119.0 million at March 31, 2016 (December 31, 2015 - $118.0 million). The GMWB guarantee liability was $(1.1) million at March 31, 2016 (December 31, 2015 - $(2.8) million). 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.

The Company has two blocks of variable universal life policies and variable annuity contracts from which the Company receives fees. The fees are based upon both specific transactions and the fund value of the blocks of policies. The Company has a direct block of ongoing business identified in the Consolidated Balance Sheets as separate account assets, totaling $371.1 million at March 31, 2016 and $372.9 million at December 31, 2015, and corresponding separate account liabilities of an equal amount. In addition, the Company has an assumed closed block of business that is recorded in the Company's financial statements in accordance with modified coinsurance accounting for variable insurance business. This block of separate account fund balances totaled $287.5

million at March 31, 2016 and $292.4 million at December 31, 2015. The Company also records separate accounts invested in the general account for the direct block of business. In accordance with coinsurance reinsurance transaction accounting, the Company also records the assumed block of fixed accounts under its general account. The future policy benefits for the direct block approximated $0.5 million at both March 31, 2016 and December 31, 2015. The future policy benefits for the assumed block approximated $0.5 million and $0.6 million at March 31, 2016 and December 31, 2015, respectively.

8. Debt

The Company had no notes payable at March 31, 2016 or December 31, 2015.

As a member of the Federal Home Loan Bank of Des Moines (FHLB) with a capital investment of $4.8 million at March 31, 2016, the Company has the ability to borrow on a collateralized basis from the FHLB. The Company received an insignificant amount of dividends on the capital investment in both the first quarters of 2016 and 2015.

The Company has unsecured revolving lines of credit with two major commercial banks. The lines of credit available totaled $70.0 million at March 31, 2016 and December 31, 2015, with no balances outstanding. The lines of credit are at variable interest rates based upon short-term indices, and they will mature in June of 2016. The Company anticipates renewing these lines as they come due.

9. Income Taxes

The following table provides a reconciliation of the federal income tax rate to the Company's effective income tax rate.

	Quarter Ended March 31	
	2016	2015
Federal income tax rate	35 %	35 %
Tax credits, net of equity adjustment	(7)%	(4)%
Permanent differences	(2)%	(2)%
Other	6 %	— %
Effective income tax rate	32 %	29 %

The following table provides information about taxes paid.

	Quarter Ended March 31	
	2016	2015
Cash paid for income taxes	$ 1.0	$ —

The Company had no material uncertain tax positions at March 31, 2016 or December 31, 2015.

At March 31, 2016, the Company had a current tax liability of $0.1 million and a $72.9 million net deferred tax liability, compared to a $0.5 million current tax asset and a $59.2 million net deferred tax liability at December 31, 2015.

10. Pensions and Other Postemployment Benefits (OPEB)

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

	Pension Benefits		OPEB	
	Quarter Ended March 31		Quarter Ended March 31	
	2016	2015	2016	2015
Service cost	$ —	$ —	$ 130	$ 171
Interest cost	1,333	1,356	363	351
Expected return on plan assets	(2,351)	(2,480)	—	—
Amortization of:				
Unrecognized actuarial net loss	662	600	24	118
Unrecognized prior service credit	—	—	(244)	(287)
Net periodic benefit cost (credit)	$ (356)	$ (524)	$ 273	$ 353

11. Share-Based Payment

The Company has an omnibus incentive plan that includes a long-term incentive benefit for senior management. The plan design includes a cash award to participants that may be paid, in part, based on the increase in the share price of the Company's common stock through units (phantom shares) assigned by the Board of Directors. Please refer to the Company's Annual Report for the year ended December 31, 2015 for additional information regarding this plan.

During the first quarter of 2016, the plan made payments totaling $1.7 million for the three-year interval ended December 31, 2015. During the first quarter of 2015, the plan made payments totaling $3.8 million for the three-year interval ended December 31, 2014.

At each reporting period, an estimate of the share-based compensation expense is accrued, utilizing the share price at the period end. There was no share-based compensation expense in the first quarter of 2016. The change in accrual for share-based compensation that reduced operating expense in the first quarter of 2015 was $0.1 million, net of tax.

12. Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income. Other comprehensive income includes the unrealized investment gains or losses on securities available for sale (net of reclassifications for realized investment gains or losses), net of adjustments to DAC, VOBA, DRL, future policy benefits, and policyholder account balances. In addition, other comprehensive income includes the change in the liability for benefit plan obligations. Other comprehensive income reflects these items net of tax.

The following tables provide information about comprehensive income.

	Quarter Ended March 31, 2016		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized gains (losses) arising during the year:			
Fixed maturity securities	$ 51,904	$ 18,167	$ 33,737
Equity securities	113	40	73
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	1,413	495	918
Other-than-temporary impairment losses recognized in earnings	(17)	(6)	(11)
Other-than-temporary impairment losses recognized in other comprehensive income	(7)	(2)	(5)
Net unrealized gains excluding impairment losses	50,628	17,720	32,908
Effect on DAC, VOBA, and DRL	(4,080)	(1,428)	(2,652)
Future policy benefits	(7,177)	(2,512)	(4,665)
Policyholder account balances	(229)	(80)	(149)
Other comprehensive income	$ 39,142	$ 13,700	$ 25,442
Net income			4,257
Comprehensive income			$ 29,699

	Quarter Ended March 31, 2015		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized gains (losses) arising during the year:			
Fixed maturity securities	$ 25,988	$ 9,095	$ 16,893
Equity securities	393	138	255
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	120	42	78
Other-than-temporary impairment losses recognized in earnings	—	—	—
Other-than-temporary impairment losses recognized in other comprehensive income	(7)	(2)	(5)
Net unrealized gains excluding impairment losses	26,268	9,193	17,075
Effect on DAC, VOBA, and DRL	(1,623)	(568)	(1,055)
Future policy benefits	(4,599)	(1,610)	(2,989)
Policyholder account balances	(150)	(52)	(98)
Other comprehensive income	$ 19,896	$ 6,963	$ 12,933
Net income			6,778
Comprehensive income			$ 19,711

The following table provides accumulated balances related to each component of accumulated other comprehensive income (loss) at March 31, 2016, net of tax.

	Unrealized Gain (Loss) on Non-Impaired Securities	Unrealized Gain (Loss) on Impaired Securities	Benefit Plan Obligations	DAC/ VOBA/ DRL Impact	Future Policy Benefits	Policyholder Account Balances	Total
Beginning of year	59,163	3,085	(53,600)	(11,069)	(12,493)	(296)	(15,210)
Other comprehensive income before reclassification	32,540	(534)	—	(2,624)	(4,665)	(149)	24,568
Amounts reclassified from accumulated other comprehensive income (loss)	918	(16)	—	(28)	—	—	874
Net current-period other comprehensive income	33,458	(550)	—	(2,652)	(4,665)	(149)	25,442
End of period	$ 92,621	$ 2,535	$ (53,600)	$ (13,721)	$ (17,158)	$ (445)	$ 10,232

The following table presents the pre-tax and the related income tax benefit (expense) components of the amounts reclassified from the Company's accumulated other comprehensive income (loss) to the Company's Consolidated Statements of Comprehensive Income.

	Quarter Ended March 31	
	2016	2015
Reclassification adjustments related to unrealized gains (losses) on investment securities:		
Having impairments recognized in the Consolidated Statements of Comprehensive Income [1]	$ 1,413	$ 120
Income tax expense [2]	(495)	(42)
Net of taxes	918	78
Having no impairments recognized in the Consolidated Statements of Comprehensive Income [1]	(24)	(7)
Income tax benefit [2]	8	2
Net of taxes	(16)	(5)
Reclassification adjustment related to DAC, VOBA, and DRL [1]	(43)	(3)
Income tax benefit [2]	15	1
Net of taxes	(28)	(2)
Total pre-tax reclassifications	1,346	110
Total income tax expense	(472)	(39)
Total reclassification, net taxes	$ 874	$ 71

[1] (Increases) decreases net realized investment gains (losses) on the Consolidated Statements of Comprehensive Income.

[2] (Increases) decreases income tax expense on the Consolidated Statements of Comprehensive Income.

13. Earnings Per Share

Due to the Company's capital structure and the absence of other potentially dilutive securities, there is no difference between basic and diluted earnings per common share for any of the periods reported. The average number of shares outstanding for the quarters ended March 31, 2016 and 2015 was 9,683,414 and 10,808,570, respectively. The number of shares outstanding was 9,683,414 at both March 31, 2016 and December 31, 2015.

14. Segment Information

The following schedules provide selected financial statement items of each of the operating segments of the Company.

	Quarter Ended March 31, 2016			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 35,646	$ 14,278	$ 20,601	$ 70,525
Interest credited to policyholder account balances	18,020	—	—	18,020
Amortization of deferred acquisition costs	4,953	—	4,606	9,559
Income tax expense (benefit)	2,503	(113)	(414)	1,976
Segment net income (loss)	5,252	(210)	(785)	4,257

	Quarter Ended March 31, 2015			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 36,272	$ 13,612	$ 19,484	$ 69,368
Interest credited to policyholder account balances	18,439	—	—	18,439
Amortization of deferred acquisition costs	4,060	—	4,324	8,384
Income tax expense (benefit)	3,037	195	(488)	2,744
Segment net income (loss)	7,332	360	(914)	6,778

Individual Insurance includes an adjustment to remove intercompany transactions for life and accident and health insurance that the Company purchases for its employees. Insurance revenues from the Group Insurance segment and operating expenses from the Individual Insurance segment were eliminated to arrive at Consolidated Statements of Comprehensive Income. The adjustments were $104 for both the first quarters ended March 31, 2016 and March 31, 2015.

15. Commitments, Contingent Liabilities, Guarantees, and Indemnifications

Commitments

In the normal course of business, the Company has open purchase and sale commitments. At March 31, 2016, the Company had purchase commitments to fund mortgage loans of $25.6 million.

Subsequent to March 31, 2016 the Company entered into commitments to fund additional mortgage loans of $38.4 million and a commitment to sell real estate for $1.5 million.

Contingent Liabilities, Guarantees, and Indemnifications

Please refer to the Company's Annual Report for the year ended December 31, 2015 for information regarding the Company's contingent liabilities, guarantees, and indemnifications. There have been no significant changes to these items during the quarter ended March 31, 2016.

16. Subsequent Events

The Company has performed an evaluation of events that have occurred subsequent to March 31, 2016 through April 28, 2016, the date the consolidated financial statements were issued.

On April 25, 2016, the Kansas City Life Board of Directors declared a quarterly dividend of $0.27 per share, to be paid on May 11, 2016 to stockholders of record on May 5, 2016.

There have been no other subsequent events that have occurred during such period that would require disclosure in, or adjustment to, the consolidated financial statements as of and for the quarter ended March 31, 2016.