KANSAS CITY LIFE INSURANCE COMPANY

A Missouri Corporation

3520 Broadway
Kansas City, MO 64111

Telephone: (816) 753-7000
Fax: (816) 753-4902

QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 30, 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 September 30, 2016

KANSAS CITY LIFE INSURANCE COMPANY

TABLE OF CONTENTS

Statement on Forward-Looking Information

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

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

- Changes in general economic conditions, including the performance of financial markets and interest rates;
- Increasing competition and changes in consumer behavior, which may affect our ability to sell our products and retain business;
- Increasing competition in the recruitment and retention of 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 our products;
- Changes in assumptions related to deferred acquisition costs (DAC), value of business acquired (VOBA), and deferred revenue liability (DRL);
- Regulatory, accounting, or tax changes that may affect the cost of, or the demand for, our products or services; and
- Unanticipated changes in industry trends and ratings assigned by nationally recognized rating organizations.

No assurances are given that such statements will prove to be correct. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

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

Issuer's Exact Name:	Kansas City Life Insurance Company
Issuer's Address:	3520 Broadway Kansas City, Missouri 64111
Issuer's Telephone:	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: Communications@*kclife.com*

Item 2. Shares Outstanding

Common Stock

	September 30, 2016
Number of Shares Authorized	36,000,000
Number of Shares Outstanding	9,683,414
Freely Tradable Shares (Public Float)	2,473,236
Total Number of Shareholders of Record	176

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

Item 3. Interim Consolidated Financial Statements

The interim consolidated financial statements of Kansas City Life Insurance Company as of September 30, 2016 are attached hereto as Exhibit 3.1 and are hereby incorporated by reference into this Quarterly Report, including:

- Consolidated Balance Sheets
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The accompanying 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 periods 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 interim consolidated financial statements. These 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, which is available on the OTC Markets website. Operating results for the interim period are not necessarily indicative of the results that may be expected for the 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 provides, in narrative form, the perspective of the management of Kansas City Life Insurance Company on its financial condition, results of operations, and certain other factors that may affect its future results. The terms "the Company," "we," "us," and "our" are used to refer to Kansas City Life Insurance Company and its subsidiaries. Kansas City Life Insurance Company (Kansas City Life) is the parent company. Sunset Life Insurance Company of America (Sunset Life) and Old American Insurance Company (Old American) are wholly-owned subsidiaries. The Company also has non-insurance subsidiaries that individually and collectively are not material.

The following is a discussion and analysis of the results of operations for the third quarters and nine months ended September 30, 2016 and 2015 and the financial condition of the Company at September 30, 2016. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in this document, as well as our Annual Report for the year ended December 31, 2015.

Overview

Our profitability depends on many factors, which include but are not limited to:

- The sale of traditional and interest sensitive life, annuity, and accident and health products;
- The rate of mortality, lapse, and surrender of future policy benefits and policyholder account balances;
- The rate of morbidity, disability, and incurrence of other policyholder benefits;
- 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 our 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 our revenue, net income, and financial position.

Consolidated Results of Operations

Summary of Results

We earned net income of $7.2 million in the third quarter of 2016 compared to $5.4 million in the third quarter of 2015. Net income per share was $0.74 in the third quarter of 2016 versus $0.52 in the same period in the prior year. Net income for the first nine months of 2016 was $16.7 million compared to $23.1 million in the same period in the prior year. Net income per share for the first nine months of 2016 was $1.72 versus $2.16 one year earlier.

The following table presents variances to net income between the results for the third quarters and nine months ended September 30, 2016 and 2015.

	Quarter Ended September 30			Nine Months Ended September 30		
	2016	2015	Variance	2016	2015	Variance
Revenues:						
Insurance and other revenues	$ 74,255	$ 69,937	$ 4,318	$ 216,462	$ 209,400	$ 7,062
Net investment income	36,991	38,277	(1,286)	113,416	118,175	(4,759)
Net realized investment gains	963	4,047	(3,084)	3,409	4,364	(955)
Benefits and expenses:						
Policyholder benefits and interest credited to policyholder account balances	69,457	70,150	693	216,946	205,325	(11,621)
Amortization of deferred acquisition costs	8,245	9,244	999	20,004	19,586	(418)
Operating expenses	24,353	24,707	354	72,428	73,790	1,362
Income tax expense	2,961	2,725	(236)	7,217	10,126	2,909
Net income	$ 7,193	$ 5,435	$ 1,758	$ 16,692	$ 23,112	$ (6,420)

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. The level of new sales, the type of products sold, the persistency of policies, general economic conditions, and competitive forces affect insurance revenues.

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

	Quarter Ended September 30			Nine Months Ended September 30		
	2016	% Change	2015	2016	% Change	2015
New premiums:						
Traditional life insurance	$ 5,306	14 %	$ 4,667	$ 15,250	11%	$ 13,694
Immediate annuities	7,561	69 %	4,462	20,370	23%	16,583
Group life insurance	686	15 %	596	2,126	25%	1,706
Group accident and health insurance	2,979	(3)%	3,077	10,216	25%	8,159
Total new premiums	16,532	29 %	12,802	47,962	19%	40,142
Renewal premiums	41,850	3 %	40,636	123,238	2%	121,276
Total premiums	58,382	9 %	53,438	171,200	6%	161,418
Reinsurance ceded	(13,846)	(2)%	(14,060)	(42,496)	3%	(41,222)
Net premiums	$ 44,536	13 %	$ 39,378	$ 128,704	7%	$ 120,196

Consolidated total premiums increased $4.9 million or 9% in the third quarter of 2016 compared with the third quarter of 2015. New premiums increased $3.7 million or 29% in the third quarter of 2016 versus one year earlier. The largest factor in this increase was a $3.1 million or 69% increase in new immediate annuity premiums. Immediate annuity receipts can have sizeable fluctuations, as receipts from policyholders largely result from one-time premiums. In addition, new traditional life insurance premiums increased $0.6 million or 14%. Renewal premiums increased $1.2 million or 3% in 2016 versus one year earlier. This increase resulted from a $1.0 million or 4% increase in renewal traditional life insurance premiums and a $0.3 million or 3% increase in renewal group accident and health premiums, largely from the long-term disability line. The increases in both new and renewal traditional life insurance premiums were principally from Old American Insurance Company.

Consolidated total premiums increased $9.8 million or 6% in the first nine months of 2016 compared with the prior year. New premiums increased $7.8 million or 19% in 2016 versus the prior year. The largest factor in this improvement was a $3.8 million or 23% increase in new immediate annuity premiums. In addition, new traditional life insurance premiums increased $1.6 million or 11% and new group life premiums increased $0.4 million or 25%. Also, new group accident and health premiums increased $2.1 million or 25%, largely from the long-term disability line, which is significantly reinsured. Renewal premiums increased $2.0 million or 2% in the first nine months of 2016 versus the prior year, reflecting a $2.7 million or 3% increase in renewal traditional life insurance premiums. This increase was partially offset by a $0.6 million or 2% decline in renewal group accident and health premiums, primarily from the dental line. The increases in both new and renewal traditional life insurance premiums were principally from Old American Insurance Company.

Deposits related to universal life, fixed deferred annuity contracts, and investment-type products are not recorded as revenue. Revenues from such contracts consist of amounts assessed on policyholder account balances for mortality, policy administration, and surrender charges, and are recognized in the period in which the benefits and services are provided as contract charges in the Consolidated Statements of Comprehensive Income. The following table provides detail by new and renewal deposits. New deposits are also detailed by product.

	Quarter Ended September 30			Nine Months Ended September 30		
	2016	% Change	2015	2016	% Change	2015
New deposits:						
Universal life insurance	$ 3,054	6 %	$ 2,891	$ 9,529	(6)%	$ 10,175
Variable universal life insurance	69	5 %	66	223	(3)%	231
Fixed annuities	14,474	31 %	11,089	37,729	20 %	31,421
Variable annuities	2,413	(52)%	5,063	7,553	(50)%	15,009
Total new deposits	20,010	5 %	19,109	55,034	(3)%	56,836
Renewal deposits	35,815	6 %	33,867	107,200	(3)%	110,173
Total deposits	$ 55,825	5 %	$ 52,976	$ 162,234	(3)%	$ 167,009

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

Total new deposits increased $0.9 million or 5% in the third quarter of 2016 compared with the third quarter of 2015. This improvement largely resulted from a $3.4 million or 31% increase in new fixed annuity deposits. Partially offsetting this was a $2.7 million or 52% decline in new variable annuity deposits. Total renewal deposits increased $1.9 million or 6% in the third quarter of 2016 compared to the prior year, reflecting increases in renewal deposits for fixed annuities, variable annuities, and universal life. Partially offsetting these was a decline in variable universal life renewal deposits.

Total new deposits decreased $1.8 million or 3% in the first nine months of 2016 compared with the prior year. This reflected declines of $7.5 million or 50% in new variable annuity deposits and $0.6 million or 6% in new universal life deposits. Partially offsetting these, new fixed annuity deposits increased $6.3 million or 20%. Total renewal deposits decreased $3.0 million or 3% in the first nine months of 2016 compared to the prior year, as renewal deposits decreased for universal life, variable universal life, and fixed annuities. Partially offsetting these was an increase in renewal variable annuity deposits.

Contract charges result from charges and fees on interest-sensitive and deposit-type products. We maintain both open blocks of business and closed blocks of business. The closed blocks of business reflect products and entities that have been purchased and for which we are not actively pursuing marketing efforts to generate new sales. We continue to service these policies to support customers and to meet long-term profit objectives as these blocks of business run off or decline over time.

Total contract charges decreased 2% in the third quarter and less than 1% in the first nine months of 2016 compared to the same periods one year earlier. Total contract charges on open, or ongoing, blocks of business were flat in the third quarter and increased 3% in the first nine months of 2016 versus the prior year. The increase in the nine months was mainly due to variances in deferred revenue unlocking adjustments during 2016 versus 2015.

Total contract charges on closed blocks decreased 5% in both the third quarter and first nine months of 2016 compared to the same periods in 2015. Total contract charges on closed blocks equaled 40% of total consolidated contract charges during the third quarter of 2016, down from 41% in the third quarter of 2015. Total contract charges on closed blocks equaled 41% of total consolidated contract charges in the first nine months of 2016, compared to 43% in the first nine months of 2015. These decreases reflect the runoff of the business, which was within projections.

Investment Revenues
Gross investment income decreased $1.5 million or 4% in the third quarter and $4.8 million or 4% in the first nine months of 2016 compared with the same periods in 2015. These decreases reflected lower average invested assets and lower overall yields earned and available on certain investments. In addition, investment expenses decreased $0.2 million or 6% in the third quarter and were essentially flat in the first nine months relative to the same periods in the prior year.

Fixed maturity securities provide a majority of our investment income. Income from these investments declined $1.5 million or 5% in the third quarter and $4.8 million or 6% in the first nine months of 2016 compared to the prior year, due to lower average invested assets and lower yields earned. Fixed maturity securities comprised 74% of our total investments at both September 30, 2016 and December 31, 2015, with 96% of the portfolio above investment grade at September 30, 2016 and 95% above investment grade at December 31, 2015.

Investment income from commercial mortgage loans decreased $0.6 million or 7% in the third quarter of 2016 and $0.6 million or 3% in the first nine months compared to one year earlier. The results from both periods reflected lower yields earned. Partially offsetting the decreases in yield was a higher average mortgage loan portfolio balance compared to the prior year.

We recorded a net realized investment gain of $1.0 million in the third quarter of 2016, compared with a net realized investment gain of $4.0 million in the third quarter of 2015. During the third quarter of 2016, we recorded $1.6 million in gains, largely from investment securities called. Partially offsetting this was a $0.4 million increase in the allowance for loan losses. Net realized investment gains for the first nine months totaled $3.4 million in 2016 compared to $4.4 million in 2015. Gains recorded in the first nine months of 2016 included $0.9 million from sales of investment securities and $2.7 million of investment securities called. In addition, gains resulting from the sale of real estate totaled $1.0 million from the first quarter of 2016. Partially offsetting these gains, investment losses of $1.0 million were recorded, primarily due to the write-down of one security that was considered other-than-temporarily impaired. Also partially offsetting these gains was a $0.3 million increase in the allowance for loan losses.

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

Policyholder benefits decreased $0.4 million or 1% in the third quarter of 2016 compared to the third quarter of 2015. This decrease largely resulted from a $1.2 million decline in net death benefits. Partially offsetting this was an increase in benefit and contract reserves. Contributing to the reserve change was a $3.1 million increase in immediate annuity premiums. Policyholder reserves for immediate annuity premiums are established on an approximately equal and offsetting basis, and an increase in premiums results in an increase to the change in reserves on a comparative basis. Partially offsetting this were changes in the fair value of the guaranteed minimum withdrawal benefit (GMWB) rider liability, which resulted in a $2.0 million decrease in benefit and contract reserves compared to the prior year. This change included a $0.2 million decrease in reserves in the third quarter of 2016 compared to a $1.9 million increase in reserves in the third quarter one year earlier. These fluctuations are primarily attributed to improvements in capital markets and increases in risk-free swap rates.

Policyholder benefits increased $12.8 million or 9% in the first nine months of 2016 compared to the same period one year earlier. The largest factor in this change was an increase in benefit and contract reserves. Changes in the fair value of the GMWB rider resulted in a $5.0 million increase in benefit and contract reserves. This change included a $3.4 million increase in reserves in the first nine months of 2016 and a $1.6 million decrease in reserves in the prior year. This fluctuation is primarily due to decreases in risk-free swap rates. Also contributing to the reserve change was a $3.8 million increase in immediate annuity premiums, which results in an increase to the change in reserves on an equal and offsetting basis. In addition, the change in reserves reflected a $1.1 million increase in reserves on interest bonuses for certain policies and a $2.6 million reserve increase on the secondary guaranteed universal life product. This compares to a $0.3 million decrease in reserves on interest bonuses for certain policies in the first nine months of 2015. These fluctuations are, in part, related to the unlocking, as described below in Unlocking and

Refinements in Estimates. Partially offsetting these changes, net death benefits declined $1.8 million in the first nine months of 2016, reflecting a decrease in direct death benefits and an increase in ceded death benefits.

Interest Credited to Policyholder Account Balances
Interest credited to policyholder account balances decreased $0.3 million or 1% in the third quarter and $1.2 million or 2% in the first nine months of 2016 compared to the same periods of 2015. These declines were due to lower average crediting rates and decreased policyholder account balances.

Amortization of DAC
The amortization of DAC decreased $1.0 million or 11% in the third quarter and increased $0.4 million or 2% in the first nine months of 2016 compared to the prior year. The decrease in the third quarter was primarily the result of lower market returns in 2015 from the separate accounts. Partially offsetting this, DAC amortization increased on traditional life products due to increased terminations. The increase in the nine months was primarily the result of increased terminations on traditional life products. The increased terminations were largely from Old American Insurance Company, reflecting its growing block of business. Partially offsetting this were unlocking adjustments that decreased DAC amortization $5.9 million in the second quarter of 2016 compared to unlocking adjustments that decreased DAC amortization $6.4 million in the second quarter of 2015.

Unlocking and Refinements in Estimates
At least annually, we review the models and the assumptions used to develop expected gross profits for interest sensitive and variable insurance products based upon management's current view of future events. Key assumptions analyzed include net interest income, net realized investment gains and losses, fees, surrender charges, expenses, and mortality gains and losses, net of reinsurance. We also consider refinements in estimates due to improved capabilities resulting from administrative or actuarial system enhancements. No unlocking or refinements in estimates occurred in the first or third quarters of either 2016 or 2015.

The following tables summarize the effects of the refinements in estimates on all products and unlocking of assumptions on interest sensitive products in the Consolidated Statements of Comprehensive Income. In addition, we had a $3.7 million reserve increase in the first nine months of 2016 and $0.3 million reserve decrease in the first nine months of 2015 related to the impacts of unlocking, as described above in Policyholder Benefits.

	DAC	VOBA	DRL	Total
September 30, 2016				
Unlocking	$ 5,918	$ 536	$ (1,153)	$ 5,301
Refinement in estimate	(82)	—	178	96
	$ 5,836	$ 536	$ (975)	$ 5,397

	DAC	VOBA	DRL	Total
September 30, 2015				
Unlocking	$ 6,380	$ (862)	$ (2,344)	$ 3,174
Refinement in estimate	—	—	—	—
	$ 6,380	$ (862)	$ (2,344)	$ 3,174

The pre-tax income impact of all adjustments related to unlocking and refinements in estimates, including insurance revenues, amortization of DAC and VOBA, and policyholder benefits, was a favorable $1.7 million in the first nine months of 2016 and $3.5 million in the same period in 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 our operations, the amortization of VOBA, and other expenses. In total, operating expenses decreased $0.4 million or 1% in the third quarter and $1.4 million or 2% in the first nine months of 2016 compared to the same periods in 2015. The decline in the third quarter largely reflected lower legal and consulting fees. These were partially offset by higher employee and agent benefit and support costs. The decline in the nine months resulted from lower legal and consulting fees and decreased VOBA amortization. These were partially offset by higher employee and agent benefit and support costs.

VOBA is evaluated on an ongoing basis for unlocking adjustments. If necessary, adjustments are made to the current period VOBA amortization. The amortization of VOBA increased $0.2 million in the third quarter and decreased $1.4 million in the first nine months of 2016 compared to the prior year. The decrease in the nine months was largely due to an unlocking adjustment, which decreased VOBA amortization $0.5 million in the second quarter of 2016. This compares to an unlocking adjustment that increased VOBA amortization $0.9 million in the second quarter of 2015.

Income Taxes

The effective income tax rate was lower than the prevailing corporate federal income tax rate of 35% in the third quarters of 2016 and 2015 and in the nine months ended September 30, 2016 and 2015, primarily due to permanent differences from the dividends-received deduction and tax credits from affordable housing investments. For additional information, please see Note 9 - Income Taxes.

We recorded income tax expense of $3.0 million or 29% of income before tax in the third quarter of 2016, compared to income tax expense of $2.7 million or 33% of income before tax for the prior year period. The decrease in the effective tax rate was primarily due to the variance in actual versus assumed results that impacted taxes for quarter ended September 30, 2016.

We recorded income tax expense for the nine months ended September 30, 2016 of $7.2 million or 30% of income before tax in 2016, compared to income tax expense of $10.1 million or 30% of income before tax for the prior year period.

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 75% of the investment portfolio at both September 30, 2016 and December 31, 2015.

	September 30 2016	% of Total	December 31 2015	% of Total
Fixed maturity securities	$ 2,633,693	74%	$ 2,580,845	74%
Mortgage loans	598,735	17%	589,960	17%
Real estate	196,055	5%	168,097	5%
Policy loans	79,177	2%	81,392	2%
Equity securities	25,221	1%	25,325	1%
Short-term investments	32,608	1%	22,474	1%
Other investments	1,304	—	380	—
Total	$ 3,566,793	100%	$ 3,468,473	100%

Fixed maturity securities were the largest component of our total investments at September 30, 2016. The largest categories of fixed maturity securities at September 30, 2016 consisted of 79% in corporate obligations, 7% 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 $188.3 million and unrealized losses of $8.7 million at September 30, 2016.

We use actual or equivalent Standard & Poor's ratings to determine the investment grading of fixed maturity securities. We had 96% of our fixed maturity securities above investment grade at September 30, 2016 and 95% at December 31, 2015.

The fair value of fixed maturity securities with unrealized losses was $144.8 million at September 30, 2016, compared with $567.2 million at December 31, 2015. This decrease primarily reflected lower market interest rates and a recovery in prices for securities issued by companies in the energy and mining and materials sectors during 2016. At September 30, 2016, 75% of security investments with an unrealized loss were investment grade and accounted for 65% 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 September 30, 2016, we had $190.2 million in gross unrealized gains on fixed maturity and equity securities that offset gross unrealized losses of $8.7 million. At December 31, 2015, we had $128.6 million in gross unrealized gains on fixed maturity and equity securities that offset $32.8 million in gross unrealized losses. At September 30, 2016, 95% of the fixed maturity and equity securities portfolio had unrealized gains, an increase from 78% at December 31, 2015. We had a decrease in gross unrealized losses in most categories from year-end 2015 to September 30, 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 $0.6 million or 7% of the security values in a gross unrealized loss position at September 30, 2016 compared to $23.2 million or 71% at December 31, 2015. Gross unrealized losses on fixed maturity and equity security investments of 12 months or longer decreased from $9.6 million at December 31, 2015 to $8.1 million at September 30, 2016.

Our residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade were 41% of the below investment grade total at both September 30, 2016 and December 31, 2015.

Investments in mortgage loans totaled $598.7 million at September 30, 2016, up from $590.0 million at December 31, 2015. The commercial mortgage loan portfolio increased $8.8 million during the first nine months of 2016, as new loans exceeded the regularly scheduled payments and the volume of prepaid loans. Mortgage loan principal paydowns increased $14.5 million in the first nine months of 2016 compared to the prior year, primarily due to a higher dollar volume of prepaid loans. Our mortgage loans are secured by commercial real estate. These loans are stated at the outstanding principal balance, adjusted for amortization of premium and accrual of discount, less an allowance for loan losses. We believe this allowance is at a level adequate to absorb estimated credit losses and was $3.0 million at September 30, 2016 and $2.7 million at December 31, 2015.

Investments in real estate totaled $196.1 million at September 30, 2016 and $168.1 million at December 31, 2015. In the third quarter of 2016, we purchased a developed property that resulted in an increase of $29.6 million. In the first quarter of 2016, we 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 our Annual Report for the year ended December 31, 2015 remain pertinent, as our liquidity position is materially unchanged from year-end 2015.

Net cash provided by operating activities was $8.2 million for the nine months ended September 30, 2016. The primary sources of cash from operating activities in the first nine months of 2016 were premium receipts and net investment income. The primary uses of cash from operating activities in the first nine months of 2016 were for the payment of policyholder benefits and operating expenses. Net cash used by investing activities was $14.6 million. The primary sources of cash were sales, maturities, calls, and principal paydowns of investments totaling $277.7 million. Offsetting these, investment purchases, including new mortgage loans and new policy loans, totaled $281.6 million. Net cash from financing activities was $7.5 million, reflecting net transfers from separate accounts and deposits, net of withdrawals, on policyholder account balances. These were partially offset by the payment of $7.8 million in stockholder dividends.

Capital Resources

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

	September 30 2016	December 31 2015
Total assets, excluding separate accounts	$ 4,141,398	$ 4,048,949
Total stockholders' equity	714,520	663,831
Ratio of stockholders' equity to assets, excluding separate accounts	17%	16%

Stockholders' equity increased $50.7 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 $73.79 at September 30, 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 unrealized losses on investments, related taxes, policyholder account balances, future policy benefits, DAC, VOBA, and DRL), totaled $80.2 million at September 30, 2016. This $41.8 million increase from December 31, 2015 primarily reflected lower market interest rates at September 30, 2016.

Our statutory equity exceeds the minimum capital deemed necessary to support our insurance business, as determined by the risk-based capital calculations and guidelines established by the National Association of Insurance Commissioners. We believe these statutory limitations impose no practical restrictions on future dividend payment plans.

In January 2016, the Board of Directors authorized the purchase of up to one million of our shares on the open market through January 2017. During the first nine months of 2016, we did not purchase any shares under the stock repurchase authorization. During the first nine months of 2015, we purchased 215,548 shares under the stock repurchase authorization, totaling $9.8 million.

On October 24, 2016, the Board of Directors declared a quarterly dividend of $0.27 per share payable on November 9, 2016 to stockholders of record on November 3, 2016.

Financial Examination
Insurance companies are regulated by state insurance departments and are subject to periodic examinations by state regulatory authorities. Quarterly and annual statutory financial statements prepared on the basis of statutory accounting principles are subject to these examinations. The Missouri Department of Insurance most recently completed an examination based upon our statutory financial statements for the year ended December 31, 2014 for Kansas City Life, Sunset Life, and Old American. No recommendations or financial adjustments were required of any of the insurance companies as a result of that examination.

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 subject 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 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: October 27, 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: October 27, 2016

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

Exhibit 3.1 Interim Consolidated Financial Statements
Dollar amounts in thousands, except as otherwise noted

Kansas City Life Insurance Company
Consolidated Balance Sheets

	September 30 2016 (Unaudited)	December 31 2015
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value	$ 2,633,693	$ 2,580,845
Equity securities available for sale, at fair value	25,221	25,325
Mortgage loans	598,735	589,960
Real estate	196,055	168,097
Policy loans	79,177	81,392
Short-term investments	32,608	22,474
Other investments	1,304	380
Total investments	3,566,793	3,468,473
Cash	9,023	7,851
Accrued investment income	34,166	33,023
Deferred acquisition costs	268,944	267,936
Reinsurance recoverables	192,148	198,834
Property and equipment	16,010	16,580
Other assets	54,314	56,252
Separate account assets	371,640	372,924
Total assets	$ 4,513,038	$ 4,421,873
LIABILITIES		
Future policy benefits	$ 950,685	$ 926,385
Policyholder account balances	2,053,524	2,056,126
Policy and contract claims	37,258	37,959
Other policyholder funds	176,973	174,353
Other liabilities	208,438	190,295
Separate account liabilities	371,640	372,924
Total liabilities	3,798,518	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	865,044	856,196
Accumulated other comprehensive income (loss)	26,631	(15,210)
Treasury stock, at cost (2016 and 2015 - 8,813,266 shares)	(241,301)	(241,301)
Total stockholders’ equity	714,520	663,831
Total liabilities and stockholders’ equity	$ 4,513,038	$ 4,421,873

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Kansas City Life Insurance Company
Consolidated Statements of Comprehensive Income

	Quarter Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	(Unaudited)		(Unaudited)	
REVENUES				
Insurance revenues:				
Net premiums	$ 44,536	$ 39,378	$ 128,704	$ 120,196
Contract charges	28,040	28,632	83,080	83,467
Total insurance revenues	72,576	68,010	211,784	203,663
Investment revenues:				
Net investment income	36,991	38,277	113,416	118,175
Net realized investment gains, excluding other-than-temporary impairment losses	986	4,475	4,029	6,724
Net impairment losses recognized in earnings:				
Total other-than-temporary impairment losses	—	(419)	(563)	(2,189)
Portion of impairment losses recognized in other comprehensive income (loss)	(23)	(9)	(57)	(171)
Net other-than-temporary impairment losses recognized in earnings	(23)	(428)	(620)	(2,360)
Total investment revenues	37,954	42,324	116,825	122,539
Other revenues	1,679	1,927	4,678	5,737
Total revenues	112,209	112,261	333,287	331,939
BENEFITS AND EXPENSES				
Policyholder benefits	51,134	51,553	162,473	149,699
Interest credited to policyholder account balances	18,323	18,597	54,473	55,626
Amortization of deferred acquisition costs	8,245	9,244	20,004	19,586
Operating expenses	24,353	24,707	72,428	73,790
Total benefits and expenses	102,055	104,101	309,378	298,701
Income before income tax expense	10,154	8,160	23,909	33,238
Income tax expense	2,961	2,725	7,217	10,126
NET INCOME	$ 7,193	$ 5,435	$ 16,692	$ 23,112
COMPREHENSIVE INCOME, NET OF TAXES				
Change in net unrealized gains on securities available for sale, net of DAC, VOBA, and DRL	$ (5,713)	$ (1,783)	$ 50,863	$ (18,941)
Change in future policy benefits	506	139	(8,707)	1,289
Change in policyholder account balances	56	17	(315)	166
Other comprehensive income (loss)	(5,151)	(1,627)	41,841	(17,486)
COMPREHENSIVE INCOME	$ 2,042	$ 3,808	$ 58,533	$ 5,626
Basic and diluted earnings per share:				
Net income	$ 0.74	$ 0.52	$ 1.72	$ 2.16

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Kansas City Life Insurance Company
Consolidated Statements of Cash Flows

	Nine Months Ended September 30	
	2016	2015
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$ 16,692	$ 23,112
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of investment premium and discount	3,163	3,193
Depreciation	3,985	4,083
Acquisition costs capitalized	(31,582)	(27,639)
Amortization of deferred acquisition costs	20,004	19,586
Net realized investment gains	(3,409)	(4,364)
Changes in assets and liabilities:		
Reinsurance recoverables	6,686	(6,073)
Future policy benefits	10,906	1,699
Policyholder account balances	(18,547)	(16,205)
Income taxes payable and deferred	2,222	4,126
Other, net	(1,878)	8,507
Net cash provided	8,242	10,025
INVESTING ACTIVITIES		
Purchases:		
Fixed maturity securities	(145,614)	(202,067)
Equity securities	(3)	(38)
Mortgage loans	(95,818)	(100,370)
Real estate	(32,899)	(1,845)
Policy loans	(6,679)	(6,867)
Other investments	(544)	(134)
Sales or maturities, calls, and principal paydowns:		
Fixed maturity securities	180,251	193,174
Equity securities	118	33
Mortgage loans	86,552	72,007
Real estate	1,745	19,905
Policy loans	8,894	8,674
Other investments	172	387
Net sales (purchases) of short-term investments	(10,134)	16,036
Acquisition of property and equipment	(643)	(426)
Net cash used	(14,602)	(1,531)

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

	Nine Months Ended September 30	
	2016	2015
	(Unaudited)	
FINANCING ACTIVITIES		
Deposits on policyholder account balances	$ 162,234	$ 167,009
Withdrawals from policyholder account balances	(152,994)	(169,090)
Net transfers from separate accounts	5,972	7,345
Change in other deposits	163	3,475
Cash dividends to stockholders	(7,843)	(8,679)
Net change in treasury stock	—	(9,866)
Net cash provided (used)	7,532	(9,806)
Increase (decrease) in cash	1,172	(1,312)
Cash at beginning of year	7,851	11,011
Cash at end of period	$ 9,023	$ 9,699

See accompanying Notes to Consolidated Financial Statements (Unaudited)

1. Nature of Operations and Significant Accounting Policies

Basis of Presentation

The interim consolidated financial statements and the accompanying notes include the accounts of the consolidated entity (the Company), 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 non-insurance subsidiaries that individually and collectively are not material. The terms "the Company," "we," "us," and "our" are used in these consolidated financial statements to refer to Kansas City Life Insurance Company and its subsidiaries.

The interim consolidated financial statements were prepared on the basis of GAAP for interim financial reporting. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. As such, these interim consolidated financial statements should be read in conjunction with our Annual Report for the year ended December 31, 2015, which is available on the OTC Markets website. Management believes that the disclosures included herein 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 operating results for a full year. Significant intercompany transactions have been eliminated in consolidation and certain immaterial reclassifications have been made to prior period results to conform with the current period's presentation.

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

Significant Accounting Policies

Please refer to our Annual Report for the year ended December 31, 2015 for a full discussion of our significant accounting policies. No significant updates or changes to these policies occurred during the quarter or nine months ended September 30, 2016.

2. New Accounting Pronouncements

Accounting Pronouncements Adopted

We adopted the following accounting pronouncements during 2016, with no material impact to our consolidated financial statements.

In August 2014, the Financial Accounting Standards Board (FASB) issued guidance that requires management to evaluate whether there are concerns or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued. Disclosures are required when certain criteria are met. This guidance is effective for annual periods ending after December 15, 2016. We early-adopted this guidance during the second quarter of 2016.

In January 2015, the 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 was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015.

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 was effective for public entities for fiscal years and interim periods within those fiscal years beginning after December 15, 2015.

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 was effective for interim and annual reporting periods beginning after December 15, 2015.

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 was effective for fiscal years beginning after December 15, 2015.

Accounting Pronouncements Issued, Not Yet Adopted

In May 2014, the FASB issued guidance regarding accounting for revenue recognition that identifies the accounting treatment for an entity's contracts with customers. Certain contracts, including insurance contracts, are specifically excluded from this guidance. However, certain other types of contracts may impact the financial statements of insurance providers. In August 2015, the FASB deferred the effective date of this guidance for public entities to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. In March 2016, this guidance was updated for principal versus agent considerations. This guidance was also updated in April 2016 to address performance obligations and licensing issues. In addition, this guidance was updated in May 2016 for narrow-scope improvements and practical expedients. We are currently evaluating this guidance.

In May 2015, the FASB issued guidance targeted to improve disclosures related to short-duration contracts. Additional disclosures will be required about insurance liabilities to provide information regarding the nature, amount, timing, and uncertainty of future cash flows related to insurance liabilities and the effect of those cash flows on the statement of comprehensive income. This guidance is effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. We are currently evaluating this guidance, and do not believe that there will be a material impact to the consolidated financial statements.

In January 2016, the FASB issued guidance regarding accounting for recognition and measurement of financial assets and financial liabilities. The new standard significantly revises an entity's accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 with early adoption allowed. We are currently evaluating this guidance.

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. We are currently evaluating this guidance.

In June 2016, the FASB issued guidance regarding the measurement of credit losses on financial instruments. Under this guidance, the incurred loss impairment methodology currently used under current GAAP for loans and other financial instruments will be replaced by a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Additional disclosures will be required to provide additional information regarding significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. This guidance is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We are currently evaluating this guidance.

In August 2016, the FASB issued guidance regarding the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. We are currently evaluating this guidance.

All other new accounting standards and updates of existing standards issued through the date of this filing were considered by management and did not relate to accounting policies and procedures pertinent to 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 September 30, 2016.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 137,724	$ 11,362	$ 53	$ 149,033
Federal agencies [1]	19,792	829	—	20,621
Federal agency issued residential mortgage-backed securities [1]	27,686	3,508	1	31,193
Subtotal	185,202	15,699	54	200,847
Corporate obligations:				
Industrial	528,047	36,815	574	564,288
Energy	219,432	11,493	2,171	228,754
Communications and technology	233,894	20,310	371	253,833
Financial	194,629	15,051	1,007	208,673
Consumer	546,954	34,162	—	581,116
Public utilities	230,213	20,384	561	250,036
Subtotal	1,953,169	138,215	4,684	2,086,700
Corporate private-labeled residential mortgage-backed securities	58,056	2,950	32	60,974
Municipal securities	147,443	27,295	—	174,738
Other	95,704	3,394	3,937	95,161
Redeemable preferred stocks	14,557	716	—	15,273
Fixed maturity securities	2,454,131	188,269	8,707	2,633,693
Equity securities	23,318	1,903	—	25,221
Total	$ 2,477,449	$ 190,172	$ 8,707	$ 2,658,914

[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.

	September 30, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 160,579	$ 163,768	$ 115,294	$ 117,145
Due after one year through five years	761,907	814,610	735,559	779,402
Due after five years through ten years	1,034,970	1,105,525	1,117,415	1,126,585
Due after ten years	360,614	403,445	349,789	378,861
Securities with variable principal payments	121,504	131,072	150,844	161,204
Redeemable preferred stocks	14,557	15,273	17,437	17,648
Total	$ 2,454,131	$ 2,633,693	$ 2,486,338	$ 2,580,845

No material derivative financial instruments were held as of September 30, 2016 or 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. A formal review document is prepared 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 our process and considerations, as well as related accounting when other-than-temporary impairments are identified, is provided in Note 3 - Investments of our Annual Report for the year ended December 31, 2015.

The following table provides information regarding fixed maturity and equity security investments available for sale with unrealized losses by asset class and by length of time at September 30, 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	$ 3,786	$ 53	$ 5	$ —	$ 3,791	$ 53
Federal agency issued residential mortgage-backed securities [1]	1	—	47	1	48	1
Subtotal	3,787	53	52	1	3,839	54
Corporate obligations:						
Industrial	3,085	50	11,897	524	14,982	574
Energy	6,492	14	48,139	2,157	54,631	2,171
Communications and technology	1,886	21	7,054	350	8,940	371
Financial	—	—	4,878	1,007	4,878	1,007
Consumer	—	—	—	—	—	—
Public utilities	9,248	493	1,139	68	10,387	561
Subtotal	20,711	578	73,107	4,106	93,818	4,684
Corporate private-labeled residential mortgage-backed securities	—	—	3,225	32	3,225	32
Other	—	—	43,928	3,937	43,928	3,937
Fixed maturity securities	24,498	631	120,312	8,076	144,810	8,707
Equity securities	—	—	—	—	—	—
Total	$ 24,498	$ 631	$ 120,312	$ 8,076	$ 144,810	$ 8,707

[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 asset class and 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.

The following table provides information regarding the number of fixed maturity and equity security issues with unrealized losses at September 30, 2016 and December 31, 2015.

	September 30 2016	December 31 2015
Below cost for less than one year	16	179
Below cost for one year or more and less than three years	24	19
Below cost for three years or more	9	9
Total	49	207

We do not consider these unrealized losses to be credit-related. The unrealized losses at September 30, 2016 primarily relate to changes in interest rates and market spreads after purchase. A substantial portion of investment securities that have unrealized losses are either corporate debt issued with investment grade credit ratings or other investment securities. Included in other investment securities are commercial mortgage-backed securities and asset-backed securities.

We have written down certain investments in previous periods. Fixed maturity securities written down and still owned at September 30, 2016 had a fair value of $65.1 million and net unrealized gains of $4.2 million, compared to the December 31, 2015 fair value of $80.7 million and net unrealized gains of $4.6 million. Additional information identified or further deteriorations could result in impairments in future periods.

We evaluated the current status of all investments previously written down to determine whether we believe that these investments remained credit-impaired to the extent previously recorded. Our evaluation process is similar to our impairment evaluation process.

If evidence exists that we believe that we will receive the contractual cash flows from securities previously written down, the accretion of income is adjusted. We did not change our evaluation of any investments under this process during 2016 or 2015.

The following table summarizes our investments in fixed maturity and equity securities available for sale with unrealized losses at September 30, 2016.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$ 112,810	$ 109,053	$ 3,757
Unrealized losses of 20% or less and greater than 10%	31,719	27,629	4,090
Subtotal	144,529	136,682	7,847
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	1,998	1,440	558
Twelve months or greater	908	678	230
Total investment grade	2,906	2,118	788
Below investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total below investment grade	—	—	—
Unrealized losses greater than 20%	2,906	2,118	788
Subtotal	147,435	138,800	8,635
Securities owned with realized impairment:			
Unrealized losses of 10% or less	6,082	6,010	72
Unrealized losses of 20% or less and greater than 10%	—	—	—
Subtotal	6,082	6,010	72
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total investment grade	—	—	—
Below investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total below investment grade	—	—	—
Unrealized losses greater than 20%	—	—	—
Subtotal	6,082	6,010	72
Total	$ 153,517	$ 144,810	$ 8,707

The following table summarizes our investments in fixed maturity and equity 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 available for sale with gross unrealized losses by actual or equivalent Standard & Poor's rating at September 30, 2016.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	$ 3,337	2%	$ 52	1%
AA	16,427	11%	1,577	18%
A	21,502	15%	549	6%
BBB	67,266	47%	3,462	40%
Total investment grade	108,532	75%	5,640	65%
BB	10,297	7%	748	9%
B and below	25,981	18%	2,319	26%
Total below investment grade	36,278	25%	3,067	35%
	$ 144,810	100%	$ 8,707	100%

The following table provides information on fixed maturity securities available for sale 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%

Our residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade were 41% of the below investment grade total at both September 30, 2016 and December 31, 2015.

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.

	September 30, 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	$ 2,601	$ 140	$ —	$ —
Due after one year through five years	12,995	179	68,757	1,548
Due after five years through ten years	67,109	3,043	421,519	26,164
Due after ten years	58,827	5,312	65,939	4,388
Total	141,532	8,674	556,215	32,100
Securities with variable principal payments	3,278	33	4,079	21
Redeemable preferred stocks	—	—	6,925	99
Total	$ 144,810	$ 8,707	$ 567,219	$ 32,220

Other-than-temporary impairments recorded in earnings for corporate private-labeled residential mortgage-backed and other securities were less than $0.1 million in the third quarter of 2016, compared to $0.4 million in the third quarter of 2015. We recorded other-than-temporary impairments for corporate private-labeled residential mortgage-backed and other securities in earnings of $0.6 million in the nine months ended September 30, 2016 and $2.4 million in the nine months ended September 30, 2015. We determined the other-than-temporary impairments recorded in earnings based upon the present value of projected future cash flows.

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

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

	September 30, 2016		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Residential & non-agency MBS:			
Investment grade	$ 10,787	$ 10,417	$ 370
Below investment grade	57,552	53,988	3,564
Total residential & Non-agency MBS	68,339	64,405	3,934
Other structured securities:			
Investment grade	63,508	63,666	(158)
Below investment grade	13,630	15,435	(1,805)
Total other structured securities	77,138	79,101	(1,963)
Total structured securities	$ 145,477	$ 143,506	$ 1,971

	December 31, 2015		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Residential & non-agency MBS:			
Investment grade	$ 12,351	$ 11,952	$ 399
Below investment grade	70,966	66,932	4,034
Total residential & Non-agency MBS	83,317	78,884	4,433
Other structured securities:			
Investment grade	56,601	57,416	(815)
Below investment grade	14,714	15,585	(871)
Total other structured securities	71,315	73,001	(1,686)
Total structured securities	$ 154,632	$ 151,885	$ 2,747

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

	Quarter Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Credit losses on securities held at beginning of the period	$ 20,936	$ 19,811	$ 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	23	428	620	2,360
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	(5)	(5)	(16)	(15)
Credit losses on securities held at the end of the period	$ 20,954	$ 20,234	$ 20,954	$ 20,234

Realized Gains (Losses)

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

	Quarter Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Gross gains resulting from:				
Sales of investment securities	$ 40	$ 223	$ 947	$ 259
Investment securities called and other	1,516	288	2,862	2,875
Real estate	—	4,212	1,020	4,215
Total gross gains	1,556	4,723	4,829	7,349
Gross losses resulting from:				
Sales of investment securities	—	—	(87)	—
Investment securities called and other	(27)	(114)	(33)	(227)
Real estate	(95)	—	(129)	—
Mortgage loans	—	(64)	(95)	(269)
Total gross losses	(122)	(178)	(344)	(496)
Change in allowance for loan losses	(400)	(64)	(323)	(102)
Amortization of DAC, VOBA, and DRL	(48)	(6)	(133)	(27)
Net realized investment gains, excluding other-than-temporary impairment losses	986	4,475	4,029	6,724
Net impairment losses recognized in earnings:				
Other-than-temporary impairment losses on fixed maturity and equity securities	—	(419)	(563)	(2,189)
Portion of loss recognized in other comprehensive income (loss)	(23)	(9)	(57)	(171)
Net other-than-temporary impairment losses recognized in earnings	(23)	(428)	(620)	(2,360)
Net realized investment gains	$ 963	$ 4,047	$ 3,409	$ 4,364

Proceeds from Sales of Investment Securities

The following table details proceeds from the sale of fixed maturity and equity securities, excluding maturities and calls.

	Quarter Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Proceeds	$ 2,039	$ 6,248	$ 20,512	$ 7,287

Mortgage Loans

Investments in mortgage loans totaled $598.7 million at September 30, 2016, compared to $590.0 million at December 31, 2015. Our mortgage loans are secured by commercial real estate and are stated at cost, adjusted for premium amortization and discount accrual, less an allowance for loan losses. We believe this allowance is at a level adequate to absorb estimated credit losses and was $3.0 million at September 30, 2016 and $2.7 million at December 31, 2015. We had 17% of our total investments in commercial mortgage loans at both September 30, 2016 and December 31, 2015. In addition to the subject collateral underlying the mortgage, we typically require 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 48% at September 30, 2016 and 47% at 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. Additionally, we may receive fees when borrowers prepay their mortgage loans. During the third quarter of 2016, the dollar volume of prepaid loans continued to increase, primarily due to lower interest rates.

We may refinance commercial mortgage loans prior to contractual maturity as a means of originating new loans that meet our underwriting and pricing parameters. We refinanced four loans with outstanding balances totaling $8.7 million during the quarter ended September 30, 2016 and seven loans with outstanding balances totaling $19.3 million during the quarter ended September 30, 2015. We refinanced eight loans with outstanding balances totaling $15.8 million during the nine months ended September 30, 2016 and 13 loans with outstanding balances totaling $26.0 million during the nine months ended September 30, 2015. None of these refinancings were the result of troubled debt restructuring.

In the normal course of business, we commit to fund commercial mortgage loans generally up to 120 days in advance. These commitments typically have fixed expiration dates. A small percentage of commitments expire due to the borrower's failure to deliver the requirements of the commitment by the expiration date. In these cases, the 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. We maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements.

We follow the fair value hierarchy under existing GAAP requirements. We made no changes to our categories as disclosed in our Annual Report. Please refer to our Annual Report for the year ended December 31, 2015 for a full discussion of the fair value hierarchy and our policies regarding fair value measurements.

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

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 12,330	$ 136,703	$ —	$ 149,033
Federal agencies [1]	—	20,621	—	20,621
Federal agency issued residential mortgage-backed securities [1]	—	31,193	—	31,193
Subtotal	12,330	188,517	—	200,847
Corporate obligations:				
Industrial	—	564,288	—	564,288
Energy	—	228,754	—	228,754
Communications and technology	—	253,833	—	253,833
Financial	—	208,673	—	208,673
Consumer	—	581,116	—	581,116
Public utilities	—	250,036	—	250,036
Subtotal	—	2,086,700	—	2,086,700
Corporate private-labeled residential mortgage-backed securities	—	60,974	—	60,974
Municipal securities	—	174,738	—	174,738
Other	—	94,581	580	95,161
Redeemable preferred stocks	—	15,273	—	15,273
Fixed maturity securities	12,330	2,620,783	580	2,633,693
Equity securities	5,238	19,983	—	25,221
Separate account assets	—	371,640	—	371,640
Total	$ 17,568	$ 3,012,406	$ 580	$ 3,030,554
Percent of total	1%	99%	—%	100%
Liabilities:				
Other policyholder funds				
Guaranteed minimum withdrawal benefits	$ —	$ —	$ 586	$ 586
Separate account liabilities	—	371,640	—	371,640
Total	$ —	$ 371,640	$ 586	$ 372,226

[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
Separate account assets	—	372,924	—	372,924
Total	$ 14,870	$ 2,963,647	$ 577	$ 2,979,094
Percent of total	1%	99%	—%	100%
Liabilities:				
Other policyholder funds				
Guaranteed minimum withdrawal benefits	$ —	$ —	$ (2,778)	$ (2,778)
Separate account liabilities	—	372,924	—	372,924
Total	$ —	$ 372,924	$ (2,778)	$ 370,146

[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 September 30, 2016	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ 598	$ 744
Included in earnings	—	(5)
Included in other comprehensive income (loss)	(19)	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	
Issuances	—	71
Sales	—	—
Other dispositions	1	(224)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ 580	$ 586

	Quarter Ended September 30, 2015	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ 616	$ (4,558)
Included in earnings	(1)	1,906
Included in other comprehensive income (loss)	57	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	104
Sales	—	—
Other dispositions	—	(137)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ 672	$ (2,685)

	Nine Months Ended September 30, 2016	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ 577	$ (2,778)
Included in earnings	—	3,855
Included in other comprehensive income (loss)	152	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	
Issuances	—	358
Sales	—	—
Other dispositions	(149)	(849)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ 580	$ 586

	Nine Months Ended September 30, 2015	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ 759	$ (1,094)
Included in earnings	1	(1,409)
Included in other comprehensive income (loss)	126	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	294
Sales	—	—
Other dispositions	(214)	(476)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ 672	$ (2,685)

Depending upon the availability of Level 1 or Level 2 pricing, specific securities may transfer into or out of Level 3. We did not have any transfers between any levels at September 30, 2016 or September 30, 2015.

Level 3 instruments are primarily fixed maturity securities and totaled $0.6 million at September 30, 2016 and $0.7 million at September 30, 2015. These assets are valued using discounted cash flow models for which significant assumptions are not observable in the market.

The GMWB liability is sensitive to changes in observable and unobservable inputs. Observable inputs include risk-free rates, index returns, volatilities, and correlations. Increases in risk-free rates and equity returns reduce the liability, while increases in volatilities increase the liability. Unobservable inputs include mortality, lapse, benefit utilization, and nonperformance risk adjustments. Increases in mortality, lapses, and credit spreads used for nonperformance risk reduce the liability, while increases in benefit utilization increase the liability. Please refer to the 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. The valuation method, unobservable inputs, and ranges used had not materially changed at September 30, 2016.

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

	September 30 2016	December 31 2015
	Increase/(Decrease) in millions	
A 10% increase in the mortality assumption	$ (0.2)	$ (0.1)
A 10% decrease in the lapse assumption	0.5	0.2
A 10% increase in the benefit utilization	1.2	0.7
A 10 basis point increase in the credit spreads used for non-performance	(0.4)	(0.3)

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

	September 30, 2016				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Fixed maturity securities available for sale	$ 12,330	$ 2,620,783	$ 580	$ 2,633,693	$ 2,633,693
Equity securities available for sale	5,238	19,983	—	25,221	25,221
Mortgage loans	—	—	624,034	624,034	598,735
Policy loans	—	—	79,177	79,177	79,177
Cash and short-term investments	41,631	—	—	41,631	41,631
Separate account assets	—	371,640	—	371,640	371,640
Liabilities:					
Individual and group annuities	—	—	1,058,124	1,058,124	1,076,481
Supplementary contracts and annuities without life contingencies	—	—	54,501	54,501	55,534
Separate account liabilities	—	371,640	—	371,640	371,640
Other policyholder funds - GMWB	—	—	586	586	586

	December 31, 2015				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Fixed maturity securities available for sale	$ 9,704	$ 2,570,564	$ 577	$ 2,580,845	$ 2,580,845
Equity securities available for sale	5,166	20,159	—	25,325	25,325
Mortgage loans	—	—	606,708	606,708	589,960
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	—	—	1,055,052	1,055,052	1,073,592
Supplementary contracts and annuities without life contingencies	—	—	52,636	52,636	54,136
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 financing receivables by classification amount.

	September 30 2016	December 31 2015
Receivables:		
Agent receivables, net (allowance $785; 2015 - $1,197)	$ 1,693	$ 1,602
Investment-related financing receivables:		
Mortgage loans, net (allowance $2,982; 2015 - $2,659)	598,735	589,960
Total financing receivables	$ 600,428	$ 591,562

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

	September 30 2016	December 31 2015
Beginning of year	$ 1,197	$ 2,003
Additions	134	128
Deductions	(546)	(934)
End of period	$ 785	$ 1,197

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

	September 30 2016	December 31 2015
Mortgage loans collectively evaluated for impairment	$ 589,606	$ 585,207
Mortgage loans individually evaluated for impairment	12,111	7,412
Allowance for loan losses	(2,982)	(2,659)
Carrying value	$ 598,735	$ 589,960

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

	September 30 2016	December 31 2015
Beginning of year	$ 2,659	$ 1,914
Provision	323	745
Deductions	—	—
End of period	$ 2,982	$ 2,659

Agent Receivables

The Company has certain agent receivables that are classified as financing receivables. These receivables from agents are long-term in nature and are specifically assessed for collectibility and are reduced by an allowance for doubtful accounts.

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

	September 30, 2016			December 31, 2015		
	Gross Receivables	Allowance	Net Receivables	Gross Receivables	Allowance	Net Receivables
Agent specific loans	$ 936	$ 334	$ 602	$ 959	$ 314	$ 645
Other agent receivables	1,542	451	1,091	1,840	883	957
Total	$ 2,478	$ 785	$ 1,693	$ 2,799	$ 1,197	$ 1,602

Mortgage Loans

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

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
September 30, 2016					
Industrial	$ —	$ —	$ —	$ —	$ —
Office	1,107	9	9	—	18
Medical	4,922	75	75	375	525
Other	—	—	—	—	—
Total	$ 6,029	$ 84	$ 84	$ 375	$ 543
December 31, 2015					
Industrial	$ —	$ —	$ —	$ —	$ —
Office	—	—	—	—	—
Medical	5,064	74	—	—	74
Other	—	—	—	—	—
Total	$ 5,064	$ 74	$ —	$ —	$ 74

There were two mortgage loans that were over 30 days past due at September 30, 2016. Subsequently, payment was received on one of these loans and it was paid in full. There was one loan with a $4.9 million balance that was placed on nonaccrual status at September 30, 2016. There was one mortgage loan that was over 30 days past due at December 31, 2015.

Please refer to our Annual Report for the year ended December 31, 2015 for additional information regarding our mortgage loans.

6. Variable Interest Entities

We invest in certain affordable housing and real estate joint ventures (VIEs). These VIEs are included in Real Estate in the Consolidated Balance Sheets. Please refer to our Annual Report for the year ended December 31, 2015 for a full discussion of our VIEs.

We amortize the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognize the net investment performance in the Consolidated Statements of Comprehensive Income as a component of income tax expense. The tax credits reduce tax expense. We realized federal income tax credits related to these investments of $0.7 million in both the third quarters of 2016 and 2015. We realized federal income tax credits related to these investments of $2.1 million for both the nine-month periods ended September 30, 2016 and September 30, 2015. We also recognized $0.4 million of amortization related to these investments in the third quarter of 2016 and $0.2 million in the third quarter of 2015. Amortization related to these investments was $1.2 million for the nine months ended September 30, 2016 and $1.0 million for the nine months ended September 30, 2015.

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

The following table presents the carrying amount and maximum exposure to loss relating to VIEs for which we hold a variable interest, but are not the primary beneficiary, and which had not been consolidated at September 30, 2016 and December 31, 2015. The table includes investments in five real estate joint ventures and 20 affordable housing real estate joint ventures at September 30, 2016 and five real estate joint ventures and 22 affordable housing real estate joint ventures at December 31, 2015.

	September 30 2016		December 31 2015	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate joint ventures	$ 21,120	$ 21,120	$ 21,269	$ 21,269
Affordable housing real estate joint ventures	9,956	50,100	11,542	51,686
Total	$ 31,076	$ 71,220	$ 32,811	$ 72,955

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

At September 30, 2016 and December 31, 2015, we had no mortgage loan or equity commitments outstanding to the real estate joint venture VIEs. We have 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, we are unable to quantify the amount of these contingent commitments.

In addition, the maximum exposure to loss on affordable housing joint ventures at September 30, 2016 included $30.2 million of losses which could be realized if the tax credits received by the VIEs were recaptured, compared to $28.6 million at December 31, 2015. Recapture events would cause us to reverse some or all of the benefit previously recognized by us or third parties to whom the tax credit interests were transferred. A recapture event can occur at any time during a 15-year required compliance period. The principal causes of recapture include financial default and non-compliance with affordable housing program requirements by the properties controlled by the VIE. Guarantees from the managing member or managing partner in the VIE, insurance contracts, or changes in the residual value accruing to our interests in the VIE may mitigate the potential exposure due to recapture.

7. Separate Accounts

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

We have 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 $115.9 million at September 30, 2016. The fair value of the separate accounts with the GMWB rider was $118.0 million at December 31, 2015. The GMWB guarantee liability was $0.6 million at September 30, 2016 and $(2.8) million at December 31, 2015. The change in this value is included in Policyholder Benefits in the Consolidated Statements of Comprehensive Income. The value of variable annuity separate accounts with the GMWB rider is recorded in Separate Account Liabilities and the value of the rider is included in Other Policyholder Funds in the Consolidated Balance Sheets.

We have two blocks of variable universal life policies and variable annuity contracts from which we receive fees. The fees are based upon both specific transactions and the fund value of the blocks of policies. We have a direct block of ongoing business identified in the Consolidated Balance Sheets as separate account assets, totaling $371.6 million at September 30, 2016 and $372.9

million at December 31, 2015, and corresponding separate account liabilities of an equal amount. The fixed-rate funds for these policies are included in our general account as Future Policy Benefits. In addition, we have an assumed closed block of business that totaled $296.5 million at September 30, 2016 and $292.4 million at December 31, 2015. As required under modified coinsurance transaction accounting, the assumed separate account fund balances are not recorded as separate accounts on our consolidated financial statements. Rather, the assumed fixed-rate funds for these policies are included in our general account as Future Policy Benefits. The Future Policy Benefits for the direct block approximated $0.4 million at September 30, 2016 and $0.5 million at December 31, 2015. The Future Policy Benefits for the assumed block approximated $0.6 million at both September 30, 2016 and December 31, 2015.

8. Debt

We had no notes payable outstanding at September 30, 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 September 30, 2016, we have the ability to borrow on a collateralized basis from the FHLB. We received an insignificant amount of dividends on the capital investment in both the third quarters and nine months of 2016 and 2015.

We have unsecured revolving lines of credit with two major commercial banks. The lines of credit available totaled $70.0 million at September 30, 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 2017. We anticipate renewing these lines as they come due.

9. Income Taxes

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

	Quarter Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Federal income tax rate	35 %	35 %	35 %	35 %
Tax credits, net of equity adjustment	(4)%	(4)%	(5)%	(3)%
Permanent differences and other	(2)%	2 %	— %	(2)%
Effective income tax rate	29 %	33 %	30 %	30 %

The following table provides information about taxes paid.

	Quarter Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Cash paid for income taxes	$ 3,500	$ 4,000	$ 5,000	$ 6,000

We had no material uncertain tax positions at September 30, 2016 or December 31, 2015.

At September 30, 2016, we had a current tax liability of $0.5 million and an $81.7 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 September 30		Quarter Ended September 30	
	2016	2015	2016	2015
Service cost	$ —	$ —	$ 130	$ 172
Interest cost	1,334	1,356	364	350
Expected return on plan assets	(2,351)	(2,480)	—	—
Amortization of:				
Unrecognized actuarial net loss	662	600	24	117
Unrecognized prior service credit	—	—	(245)	(285)
Net periodic benefit cost (credit)	$ (355)	$ (524)	$ 273	$ 354

	Pension Benefits		OPEB	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Service cost	$ —	$ —	$ 389	$ 514
Interest cost	4,000	4,068	1,090	1,052
Expected return on plan assets	(7,052)	(7,440)	—	—
Amortization of:				
Unrecognized actuarial net loss	1,986	1,801	72	353
Unrecognized prior service credit	—	—	(733)	(859)
Net periodic benefit cost (credit)	$ (1,066)	$ (1,571)	$ 818	$ 1,060

11. Share-Based Payment

We have 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 our common stock through units (phantom shares) assigned by the Board of Directors. Please refer to our 2015 Annual Report for additional information regarding this plan.

During the first nine months of 2016, the plan made payments totaling $1.7 million for the three-year interval ended December 31, 2015. During the first nine months 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. The cost of share-based compensation, net of tax, accrued as an operating expense was less than $0.1 million in the third quarter of 2016 and $0.4 million in the third quarter of 2015. The cost of share-based compensation, net of tax, accrued as an operating expense was $0.1 million for the nine months ended September 30, 2016 and $0.4 million for the nine months ended September 30, 2015.

12. Comprehensive Income

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

The following tables provide information about comprehensive income.

	Quarter Ended September 30, 2016		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized losses arising during the period:			
Fixed maturity securities	$ (7,197)	$ (2,518)	$ (4,679)
Equity securities	(307)	(108)	(199)
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	1,386	485	901
Other-than-temporary impairment losses recognized in earnings	—	1	(1)
Other-than-temporary impairment losses recognized in other comprehensive loss	(23)	(8)	(15)
Net unrealized losses excluding impairment losses	(8,867)	(3,104)	(5,763)
Effect on DAC, VOBA, and DRL	77	27	50
Future policy benefits	779	273	506
Policyholder account balances	86	30	56
Other comprehensive loss	$ (7,925)	$ (2,774)	$ (5,151)
Net income			7,193
Comprehensive income			$ 2,042

	Quarter Ended September 30, 2015		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized losses arising during the period:			
Fixed maturity securities	$ (3,452)	$ (1,207)	$ (2,245)
Equity securities	(5)	(2)	(3)
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	432	151	281
Other-than-temporary impairment losses recognized in earnings	(428)	(150)	(278)
Net unrealized losses excluding impairment losses	(3,461)	(1,210)	(2,251)
Effect on DAC, VOBA, and DRL	719	251	468
Future policy benefits	213	74	139
Policyholder account balances	26	9	17
Other comprehensive loss	$ (2,503)	$ (876)	$ (1,627)
Net income			5,435
Comprehensive income			$ 3,808

	Nine Months Ended September 30, 2016		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized gains arising during the period:			
Fixed maturity securities	$ 87,941	$ 30,780	$ 57,161
Equity securities	645	226	419
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	3,506	1,227	2,279
Other-than-temporary impairment losses recognized in earnings	(563)	(196)	(367)
Other-than-temporary impairment losses recognized in other comprehensive income	(57)	(20)	(37)
Net unrealized gains excluding impairment losses	85,700	29,995	55,705
Effect on DAC, VOBA, and DRL	(7,450)	(2,608)	(4,842)
Future policy benefits	(13,395)	(4,688)	(8,707)
Policyholder account balances	(484)	(169)	(315)
Other comprehensive income	$ 64,371	$ 22,530	$ 41,841
Net income			16,692
Comprehensive income			$ 58,533

	Nine Months Ended September 30, 2015		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized losses arising during the period:			
Fixed maturity securities	$ (35,166)	$ (12,308)	$ (22,858)
Equity securities	(32)	(11)	(21)
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	2,886	1,010	1,876
Other-than-temporary impairment losses recognized in earnings	(2,360)	(826)	(1,534)
Net unrealized losses excluding impairment losses	(35,724)	(12,503)	(23,221)
Effect on DAC, VOBA, and DRL	6,584	2,304	4,280
Future policy benefits	1,983	694	1,289
Policyholder account balances	255	89	166
Other comprehensive loss	$ (26,902)	$ (9,416)	$ (17,486)
Net income			23,112
Comprehensive income			$ 5,626

The following table provides accumulated balances related to each component of accumulated other comprehensive income (loss) at September 30, 2016, net of tax.

	Unrealized Gain on Non-Impaired Securities	Unrealized Gain 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 (loss) before reclassification	53,765	65	—	(4,755)	(8,707)	(315)	40,053
Amounts reclassified from accumulated other comprehensive income (loss)	2,279	(404)	—	(87)	—	—	1,788
Net current-period other comprehensive income (loss)	56,044	(339)	—	(4,842)	(8,707)	(315)	41,841
End of period	$ 115,207	$ 2,746	$ (53,600)	$ (15,911)	$ (21,200)	$ (611)	$ 26,631

The following table provides accumulated balances related to each component of accumulated other comprehensive income (loss) at December 31, 2015, net of tax.

	Unrealized Gain on Non-Impaired Securities	Unrealized Gain on Impaired Securities	Benefit Plan Obligations	DAC/ VOBA/ DRL Impact	Future Policy Benefits	Policyholder Account Balances	Total
Beginning of year	$ 110,362	$ 3,141	$ (53,964)	$ (18,521)	$ (17,406)	$ (572)	$ 23,040
Other comprehensive income (loss) before reclassification	(53,180)	1,556	364	7,477	4,913	276	(38,594)
Amounts reclassified from accumulated other comprehensive income (loss)	1,981	(1,612)	—	(25)	—	—	344
Net current-period other comprehensive income (loss)	(51,199)	(56)	364	7,452	4,913	276	(38,250)
End of year	$ 59,163	$ 3,085	$ (53,600)	$ (11,069)	$ (12,493)	$ (296)	$ (15,210)

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

	Quarter Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Reclassification adjustments related to unrealized gains (losses) on investment securities:				
Net realized investment gains, excluding impairment losses[1]	$ 1,386	$ 432	$ 3,506	$ 2,886
Income tax expense [2]	(485)	(151)	(1,227)	(1,010)
Net of taxes	901	281	2,279	1,876
Other-than-temporary impairment losses[1]	(23)	(428)	(620)	(2,360)
Income tax benefit [2]	7	150	216	826
Net of taxes	(16)	(278)	(404)	(1,534)
Reclassification adjustment related to DAC, VOBA, and DRL [1]	(48)	(6)	(133)	(27)
Income tax benefit [2]	16	2	46	9
Net of taxes	(32)	(4)	(87)	(18)
Total pre-tax reclassifications	1,315	(2)	2,753	499
Total income tax benefit (expense)	(462)	1	(965)	(175)
Total reclassification, net taxes	$ 853	$ (1)	$ 1,788	$ 324

[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 our capital structure and the absence of other potentially dilutive securities, there is no difference between basic and diluted earnings per common share for any of the periods reported. The average number of shares outstanding were 9,683,414 for the quarter ended September 30, 2016 and 10,615,142 for the quarter ended September 30, 2015. The average number of shares outstanding were 9,683,414 for the nine months ended September 30, 2016 and 10,711,102 for the nine months ended September 30, 2015. The number of shares outstanding at both September 30, 2016 and December 31, 2015 was 9,683,414.

14. Segment Information

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

	Quarter Ended September 30, 2016			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 37,243	$ 13,988	$ 21,345	$ 72,576
Interest credited to policyholder account balances	18,323	—	—	18,323
Amortization of deferred acquisition costs	3,830	—	4,415	8,245
Income tax expense	2,391	281	289	2,961
Segment net income	6,133	520	540	7,193

	Quarter Ended September 30, 2015			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 33,789	$ 14,229	$ 19,992	$ 68,010
Interest credited to policyholder account balances	18,597	—	—	18,597
Amortization of deferred acquisition costs	5,765	—	3,479	9,244
Income tax expense	1,635	371	719	2,725
Segment net income	3,434	687	1,314	5,435

	Nine Months Ended September 30, 2016			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 106,313	$ 42,486	$ 62,985	$ 211,784
Interest credited to policyholder account balances	54,473	—	—	54,473
Amortization of deferred acquisition costs	7,030	—	12,974	20,004
Income tax expense	6,665	207	345	7,217
Segment net income	15,664	384	644	16,692

	Nine Months Ended September 30, 2015			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 103,004	$ 41,417	$ 59,242	$ 203,663
Interest credited to policyholder account balances	55,626	—	—	55,626
Amortization of deferred acquisition costs	8,632	—	10,954	19,586
Income tax expense (benefit)	8,781	294	1,051	10,126
Segment net income (loss)	20,634	545	1,933	23,112

15. Commitments, Contingent Liabilities, Guarantees, and Indemnifications

Commitments
In the normal course of business, we have open purchase and sale commitments. At September 30, 2016, we had purchase commitments to fund mortgage loans of $41.9 million.

After September 30, 2016, we entered into commitments to fund additional mortgage loans of $5.8 million.

Contingent Liabilities, Guarantees, and Indemnifications
Please refer to our Annual Report for the year ended December 31, 2015 for information regarding our contingent liabilities, guarantees, and indemnifications. There have been no significant changes to these items during the quarter or nine months ended September 30, 2016.

16. Subsequent Events

The Company evaluated events that occurred subsequent to September 30, 2016 through October 27, 2016, the date the consolidated financial statements were issued.

On October 24, 2016, the Kansas City Life Board of Directors declared a quarterly dividend of $0.27 per share, payable on November 9, 2016 to stockholders of record on November 3, 2016.

There have been no other subsequent events that occurred during such period that require disclosure in, or adjustment to, the consolidated financial statements as of and for the quarter and nine months ended September 30, 2016.