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 MARCH 31, 2017

ISSUER'S EQUITY SECURITIES

Common Stock
Par Value $1.25 per Share
36,000,000 Shares Authorized
9,683,414 Shares Outstanding as of March 31, 2017

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

KANSAS CITY LIFE INSURANCE COMPANY
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 can be given that such statements will prove to be correct. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

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:	A. Craig Mason Jr., Secretary Telephone: (816) 753-7000 ext. 8308 Email: Communications@*kclife.com*

Item 2. Shares Outstanding

Common Stock

	March 31, 2017
Number of Shares Authorized	36,000,000
Number of Shares Outstanding	9,683,414
Freely Tradable Shares (Public Float)	2,472,365
Total Number of Shareholders of Record	172

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 March 31, 2017 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 and the accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The 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 2016 Annual Report, which is available on the OTCQX website (*www.otcmarkets.com/stock/KCLI/filings*). The interim consolidated financial statements and the accompanying notes for the quarters ended March 31, 2017 and 2016 are unaudited. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

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, liquidity, and certain other factors that may affect its future results. The terms "the Company," "we," "us," and "our" are used to refer to Kansas City Life Insurance Company and its subsidiaries. Kansas City Life Insurance Company (Kansas City Life) is the parent company. 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 first quarters ended March 31, 2017 and 2016 and the financial condition of the Company at March 31, 2017. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in this document, as well as our 2016 Annual Report.

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, which often can be extreme in nature, can significantly impact the financial markets and our investments, revenues, and policyholder benefits. 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 financial position and financial statements.

Consolidated Results of Operations

Summary of Results

We earned net income of $5.2 million in the first quarter of 2017 compared to $4.3 million in the first quarter of 2016. Net income per share was $0.53 in the first quarter of 2017 versus $0.44 in the same period in the prior year.

The following table presents condensed consolidated results of operations for the quarters ended March 31, 2017 and 2016.

	Quarter Ended March 31		
	2017	2016	% Change
Revenues:			
Insurance and other revenues	$ 73,578	$ 71,998	2 %
Net investment income	37,178	38,108	(2)%
Net realized investment gains	481	2,448	(80)%
Benefits and expenses:			
Policyholder benefits and interest credited to policyholder account balances	72,366	72,374	— %
Amortization of deferred acquisition costs	8,145	9,559	(15)%
Operating expenses	23,472	24,388	(4)%
Income tax expense	2,086	1,976	6 %
Net income	$ 5,168	$ 4,257	21 %

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 March 31		
	2017	2016	% Change
New premiums:			
Traditional life insurance	$ 5,182	$ 4,859	7 %
Immediate annuities	6,475	6,483	— %
Group life insurance	811	721	12 %
Group accident and health insurance	2,824	3,790	(25)%
Total new premiums	15,292	15,853	(4)%
Renewal premiums	42,944	40,279	7 %
Total premiums	58,236	56,132	4 %
Reinsurance ceded	(14,053)	(14,030)	— %
Net premiums	$ 44,183	$ 42,102	5 %

Consolidated total premiums increased $2.1 million or 4% in the first quarter of 2017 compared with the first quarter of 2016. New premiums decreased $0.6 million or 4% in the first quarter of 2017 versus one year earlier. This decline reflected a $1.0 million or 25% decline in new group accident and health premiums, largely from the long-term disability line. Partially offsetting this decrease, new traditional life insurance premiums increased $0.3 million or 7%, reflecting increases at both Kansas City Life and Old American. Renewal premiums increased $2.7 million or 7% in 2017 versus one year earlier. Renewal traditional life insurance premiums increased $1.2 million or 5% in the first quarter of 2017, mainly from Old American. Renewal group accident and health insurance premiums increased $1.2 million or 12% in the first quarter, principally from the long-term disability line.

Deposits related to interest sensitive life (universal life, indexed universal life, and variable 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 March 31		
	2017	2016	% Change
New deposits:			
Interest sensitive life	$ 3,767	$ 3,006	25 %
Fixed annuities	14,258	11,253	27 %
Variable annuities	2,019	3,770	(46)%
Total new deposits	20,044	18,029	11 %
Renewal deposits	36,750	35,991	2 %
Total deposits	$ 56,794	$ 54,020	5 %

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 $2.0 million or 11% in the first quarter of 2017 compared with the first quarter of 2016. This improvement resulted from a $3.0 million or 27% increase in new fixed annuity deposits and a $0.8 million or 28% increase in new universal life deposits. The increase in new universal life deposits increased in part due to the indexed universal life product, which was introduced in 2015. Partially offsetting these was a $1.8 million or 46% decline in new variable annuity deposits. Total renewal deposits increased $0.8 million or 2% in the first quarter of 2017 compared to the prior year, reflecting increases in renewal deposits for fixed annuities and universal life. Partially offsetting these was a decline in variable universal life renewal deposits.

Contract charges result from charges and fees on interest-sensitive and deposit-type products. Contract charges consist of cost of insurance, expense loads, the amortization of unearned revenues, and surrender charges on policyholder account balances.

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 decline over time. Total contract charges on closed blocks equaled 40% of total consolidated contract charges during the first quarter of 2017, down from 41% in the first quarter of 2016.

Total contract charges decreased $0.6 million or 2% in the first quarter of 2017 compared to one year earlier as contract charges on closed blocks declined $0.4 million or 3% and contract charges on open blocks declined $0.2 million or 1%. The decline in closed blocks reflects the runoff of the business. The decline in the open blocks was primarily due to the lower amortization of deferred revenue due to claims on certain policies and a decrease in surrender charges from lower surrenders. Partially offsetting these, contract charges assessed for the cost of insurance and expenses on the open blocks increased, reflecting growth in these products.

Investment Revenues
Gross investment income decreased $0.9 million or 2% in the first quarter compared with the first quarter of 2016. This decline reflected lower overall yields earned and available on certain investments that were partially offset by higher average invested assets.

Fixed maturity securities provide a majority of our investment income. Fixed maturity securities comprised 73% of total investments at both March 31, 2017 and December 31, 2016. Income from these investments declined $1.4 million or 5% in the first quarter of 2017 compared to the prior year, due to lower average invested assets and lower yields earned.

Investment income from commercial mortgage loans decreased $0.9 million or 11% in the first quarter of 2017 compared to one year earlier. This decline reflected lower prepayment fees and lower yields earned that were partially offset by a higher average mortgage loan portfolio balance compared to the prior year.

Investment income from real estate increased $1.3 million or 30% in the first quarter of 2017 compared to the first quarter of 2016, reflecting higher rental income from the acquisition of new properties, increased occupancy, and lease rates. The Company purchased $29.6 million in new real estate investments in the second half of 2016 that have increased rental income in 2017.

We recorded a net realized investment gain of $0.5 million in the first quarter of 2017, compared with a net realized investment gain of $2.4 million in the first quarter of 2016. The net realized investment gain in the first quarter of 2017 included $0.7 million in gains from investment securities while the net realized investment gain in the first quarter of 2016 included $1.5 million in gains from investment securities and $1.0 million in gains from the sale of real estate.

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 were essentially flat in the first quarter of 2017 compared to the prior year. Benefit and contract reserves decreased $2.2 million in the first quarter of 2017 compared to the first quarter of 2016. Changes in the fair value of the guaranteed minimum withdrawal benefit (GMWB) rider liability resulted in a $2.1 million decrease in benefit and contract reserves compared to the prior year. This change included a $0.4 million decrease in reserves in the first quarter of 2017 compared to a $1.7 million increase in reserves in the first quarter one year earlier. The decrease in 2017 was primarily driven by improvements in capital markets and increases in risk-free swap rates that were offset in part by an increase in volatilities used for volatility managed funds. Offsetting the change in reserves was a $2.2 million increase in benefits, net of reinsurance, paid to policyholders.

Amortization of DAC
The amortization of DAC decreased $1.4 million or 15% in the first quarter of 2017 compared to the prior year, primarily reflecting improved separate account performance.

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 operations, the amortization of VOBA, and other expenses. In total, operating expenses decreased $0.9 million or 4% in the first quarter of 2017 compared to the same period in 2016. This decline was largely due to decreased compensation costs and legal fees.

Income Taxes
We recorded income tax expense of $2.1 million or 29% of income before tax in the first quarter of 2017, compared to income tax expense of $2.0 million or 32% 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 the quarter ended March 31, 2017.

The effective income tax rate was lower than the prevailing corporate federal income tax rate of 35% in the first quarters of 2017 and 2016, primarily due to permanent differences from the dividends-received deduction and tax credits from affordable housing investments. For additional information, please see Note 10 - Income Taxes.

Analysis of Investments

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

The following table provides asset class detail of the investment portfolio. Fixed maturity and equity securities represented 73% of the investment portfolio at both March 31, 2017 and December 31, 2016.

	March 31 2017	% of Total	December 31 2016	% of Total
Fixed maturity securities	$ 2,539,708	72%	$ 2,530,907	72%
Equity securities	24,552	1%	23,996	1%
Mortgage loans	629,410	18%	630,889	18%
Real estate	195,836	6%	195,621	6%
Policy loans	78,949	2%	79,893	2%
Short-term investments	24,120	1%	27,526	1%
Other investments	1,605	—	1,388	—
Total	$ 3,494,180	100%	$ 3,490,220	100%

Fixed maturity securities were the largest component of total investments at March 31, 2017. The largest categories of fixed maturity securities at March 31, 2017 consisted of 80% in corporate obligations, 6% in municipal securities, and 6% in U.S. Treasury securities and other obligations of the U.S. Government. Fixed maturity securities had unrealized gains of $111.4 million and unrealized losses of $14.2 million at March 31, 2017.

We use actual or equivalent Standard & Poor's ratings to determine the investment grading of fixed maturity securities. Fixed maturity securities that were rated above investment grade represented 97% of total securities at March 31, 2017 and 96% at December 31, 2016.

The fair value of fixed maturity securities with unrealized losses was $469.8 million at March 31, 2017, compared with $516.9 million at December 31, 2016. This decrease primarily reflected changes in interest rates and market spreads during 2017. At March 31, 2017, 93% of security investments with an unrealized loss were investment grade and accounted for 84% of the total unrealized losses. At December 31, 2016, 94% of securities with an unrealized loss were investment grade and accounted for 85% of the total unrealized losses. At March 31, 2017, we had $112.7 million in gross unrealized gains on fixed maturity and equity securities that offset gross unrealized losses of $14.2 million. At December 31, 2016, we had $111.9 million in gross unrealized gains on fixed maturity and equity securities that offset $19.0 million in gross unrealized losses. At March 31, 2017, 81% of the fixed maturity and equity securities portfolio had unrealized gains, an increase from 79% at December 31, 2016. We had a decrease in gross unrealized losses in most categories from December 31, 2016 to March 31, 2017 due to changes in interest rates and market spreads during 2017. Gross unrealized losses on fixed maturity and equity securities for less than 12 months accounted for $8.8 million or 62% of the security values in a gross unrealized loss position at March 31, 2017 compared to $12.5 million or 66% at December 31, 2016. Gross unrealized losses on fixed maturity and equity security investments of 12 months or longer decreased from $6.5 million at December 31, 2016 to $5.4 million at March 31, 2017.

Residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade were 32% of the below investment grade total at March 31, 2017, compared to 34% at December 31, 2016.

We have written down certain investments in previous periods. Fixed maturity securities written down and still owned at March 31, 2017 and December 31, 2016 were not material.

The current status of all investments previously written down was evaluated 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 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 2017 or 2016.

Investments in mortgage loans totaled $629.4 million at March 31, 2017, down from $630.9 million at December 31, 2016. The commercial mortgage loan portfolio decreased $1.5 million during the first quarter of 2017, as regularly scheduled payments and the volume of prepaid loans exceeded new loans. Mortgage loan principal paydowns decreased $6.7 million in the first quarter of 2017 compared to the prior year, primarily due to a lower 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 accretion of discount, less an allowance for loan losses. We believe this allowance is at a level adequate to absorb estimated credit losses and was $3.5 million at March 31, 2017 and $3.3 million at December 31, 2016.

Investments in real estate totaled $195.8 million at March 31, 2017 and $195.6 million at December 31, 2016.

Liquidity and Capital Resources

Liquidity

Statements made in our 2016 Annual Report remain pertinent, as our liquidity position is materially unchanged from year-end 2016.

Net cash used by operating activities was $3.2 million for the quarter ended March 31, 2017. The primary sources of cash from operating activities in the first quarter of 2017 were premium receipts and net investment income. The primary uses of cash from operating activities in the first quarter of 2017 were for the payment of policyholder benefits and operating expenses. Net cash used by investing activities was $3.9 million. The primary sources of cash were sales, maturities, calls, and principal paydowns of investments totaling $67.4 million. Offsetting these, investment purchases, including new mortgage loans and new policy loans, totaled $73.9 million. Net cash from financing activities was $6.6 million, primarily including $1.3 million of net transfers from separate accounts and $9.1 million of deposits, net of withdrawals, on policyholder account balances. These were partially offset by the payment of $2.6 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.

	March 31 2017	December 31 2016
Total assets, excluding separate accounts	$ 4,085,792	$ 4,076,157
Total stockholders' equity	691,541	685,583
Ratio of stockholders' equity to assets, excluding separate accounts	17%	17%

Stockholders' equity increased $6.0 million from year-end 2016, primarily due to net income and an increase in net unrealized gains. Stockholders' equity per share, or book value, equaled $71.41 at March 31, 2017, an increase from $70.80 at year-end 2016.

Net unrealized gains on available for sale securities, which are included as part of accumulated other comprehensive 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 $39.5 million at March 31, 2017, a $3.4 million increase from December 31, 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 2017, the Board of Directors authorized the purchase of up to one million of our shares on the open market through January 2018. We did not purchase any shares under the stock repurchase authorization during the first quarters of either 2017 or 2016.

On April 24, 2017, the Board of Directors declared a quarterly dividend of $0.27 per share payable on May 10, 2017 to stockholders of record on May 4, 2017.

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, Guarantees, and Indemnifications" in Note 16 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: April 27, 2017

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

I, Philip A. Williams, certify that:

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

Date: April 27, 2017

/s/ Philip A. Williams
Philip A. Williams
Senior Vice President, Finance

Exhibit 3.1 Interim Consolidated Financial Statements

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

Kansas City Life Insurance Company
Consolidated Balance Sheets

	March 31 2017 (Unaudited)	December 31 2016
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value	$ 2,539,708	$ 2,530,907
Equity securities available for sale, at fair value	24,552	23,996
Mortgage loans	629,410	630,889
Real estate	195,836	195,621
Policy loans	78,949	79,893
Short-term investments	24,120	27,526
Other investments	1,605	1,388
Total investments	3,494,180	3,490,220
Cash	9,133	9,630
Accrued investment income	33,543	31,586
Deferred acquisition costs	272,463	271,089
Reinsurance recoverables	190,982	187,941
Property and equipment	16,259	15,853
Other assets	69,232	69,838
Separate account assets	388,486	373,256
Total assets	$ 4,474,278	$ 4,449,413
LIABILITIES		
Future policy benefits	$ 944,700	$ 943,643
Policyholder account balances	2,053,358	2,051,728
Policy and contract claims	40,675	34,553
Other policyholder funds	177,822	178,806
Other liabilities	177,696	181,844
Separate account liabilities	388,486	373,256
Total liabilities	3,782,737	3,763,830
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	870,606	868,054
Accumulated other comprehensive loss	(1,910)	(5,316)
Treasury stock, at cost (2017 and 2016 - 8,813,266 shares)	(241,301)	(241,301)
Total stockholders’ equity	691,541	685,583
Total liabilities and stockholders’ equity	$ 4,474,278	$ 4,449,413

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Kansas City Life Insurance Company
Consolidated Statements of Comprehensive Income

	Quarter Ended March 31	
	2017	2016
	(Unaudited)	
REVENUES		
Insurance revenues:		
Net premiums	$ 44,183	$ 42,102
Contract charges	27,791	28,423
Total insurance revenues	71,974	70,525
Investment revenues:		
Net investment income	37,178	38,108
Net realized investment gains, excluding other-than-temporary impairment losses	488	2,472
Net impairment losses recognized in earnings:		
Total other-than-temporary impairment losses	—	(17)
Portion of impairment losses recognized in other comprehensive income	(7)	(7)
Net other-than-temporary impairment losses recognized in earnings	(7)	(24)
Total investment revenues	37,659	40,556
Other revenues	1,604	1,473
Total revenues	111,237	112,554
BENEFITS AND EXPENSES		
Policyholder benefits	54,356	54,354
Interest credited to policyholder account balances	18,010	18,020
Amortization of deferred acquisition costs	8,145	9,559
Operating expenses	23,472	24,388
Total benefits and expenses	103,983	106,321
Income before income tax expense	7,254	6,233
Income tax expense	2,086	1,976
NET INCOME	$ 5,168	$ 4,257
COMPREHENSIVE INCOME, NET OF TAXES		
Change in net unrealized gains on securities available for sale, net of DAC, VOBA, and DRL	$ 3,732	$ 30,256
Change in future policy benefits	(309)	(4,665)
Change in policyholder account balances	(17)	(149)
Other comprehensive income	3,406	25,442
COMPREHENSIVE INCOME	$ 8,574	$ 29,699
Basic and diluted earnings per share:		
Net income	$ 0.53	$ 0.44

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Kansas City Life Insurance Company
Consolidated Statements of Cash Flows

	Quarter Ended March 31	
	2017	2016
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$ 5,168	$ 4,257
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of investment premium and discount	744	1,132
Depreciation	1,433	1,333
Acquisition costs capitalized	(10,071)	(10,314)
Amortization of deferred acquisition costs	8,145	9,559
Net realized investment gains	(481)	(2,448)
Changes in assets and liabilities:		
Reinsurance recoverables	(3,041)	5,782
Future policy benefits	582	2,009
Policyholder account balances	(8,844)	(6,394)
Income taxes payable and deferred	1,086	977
Other, net	2,060	(3,890)
Net cash provided (used)	(3,219)	2,003
INVESTING ACTIVITIES		
Purchases:		
Fixed maturity securities	(46,017)	(64,644)
Equity securities	—	(3)
Mortgage loans	(23,112)	(13,294)
Real estate	(1,665)	(1,201)
Policy loans	(2,822)	(3,826)
Other investments	(252)	(157)
Sales or maturities, calls, and principal paydowns:		
Fixed maturity securities	38,807	43,154
Equity securities	7	118
Mortgage loans	24,411	31,065
Real estate	—	1,454
Policy loans	3,769	4,826
Other investments	383	4
Net sales of short-term investments	3,407	1,750
Acquisition of property and equipment	(802)	(204)
Net cash used	(3,886)	(958)

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

	Quarter Ended March 31	
	2017	2016
	(Unaudited)	
FINANCING ACTIVITIES		
Deposits on policyholder account balances	$ 56,794	$ 54,020
Withdrawals from policyholder account balances	(47,731)	(54,210)
Net transfers from separate accounts	1,299	2,670
Change in other deposits	(1,139)	(92)
Cash dividends to stockholders	(2,615)	(2,614)
Net cash provided (used)	6,608	(226)
Increase (decrease) in cash	(497)	819
Cash at beginning of year	9,630	7,851
Cash at end of period	$ 9,133	$ 8,670

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 2016 Annual Report, which is available on the OTCQX website. The interim consolidated financial statements and the accompanying notes for the quarters ended March 31, 2017 and 2016 are unaudited. 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 2016 Annual Report for a full discussion of our significant accounting policies. No significant updates or changes to these policies occurred during the quarter ended March 31, 2017.

2. New Accounting Pronouncements

Accounting Pronouncements Issued, Not Yet Adopted
In May 2014, the Financial Accounting Standards Board (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. We are currently evaluating this guidance. As an insurance enterprise, we have determined that our primary sources of revenue are excluded from this guidance, including insurance premiums, contract charges, and most investment revenues. While we do have certain types of revenue that will be impacted, our adoption of this guidance is not expected to have a material impact on our 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 and 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 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 and 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.

In November 2016, the FASB issued guidance regarding restricted cash. This guidance requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. 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.

In March 2017, the FASB issued guidance to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. This guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. We are currently evaluating this guidance.

In March 2017, the FASB issued guidance to amend the amortization period for certain purchased callable debt securities held at a premium. The amortization period for premiums is being shortened to the earliest call date. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. 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 us at this time or were not expected to have a material impact to the consolidated financial statements.

3. Investments

Fixed Maturity and Equity Securities Available for Sale

Securities by Asset Class

The following table provides amortized cost and fair value of securities by asset class at March 31, 2017.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 152,132	$ 5,380	$ 607	$ 156,905
Federal agencies [1]	19,800	294	—	20,094
Federal agency issued residential mortgage-backed securities [1]	29,728	2,803	9	32,522
Subtotal	201,660	8,477	616	209,521
Corporate obligations:				
Industrial	497,987	21,336	1,467	517,856
Energy	197,668	8,124	2,210	203,582
Communications and technology	240,741	12,693	813	252,621
Financial	201,276	9,660	567	210,369
Consumer	560,509	16,761	2,461	574,809
Public utilities	249,500	12,574	2,359	259,715
Subtotal	1,947,681	81,148	9,877	2,018,952
Corporate private-labeled residential mortgage-backed securities	39,205	2,635	—	41,840
Municipal securities	146,610	17,996	576	164,030
Other	92,835	922	2,783	90,974
Redeemable preferred stocks	14,535	183	327	14,391
Fixed maturity securities	2,442,526	111,361	14,179	2,539,708
Equity securities	23,271	1,332	51	24,552
Total	$ 2,465,797	$ 112,693	$ 14,230	$ 2,564,260

[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, 2016.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$ 148,468	$ 5,246	$ 849	$ 152,865
Federal agencies [1]	19,796	515	—	20,311
Federal agency issued residential mortgage-backed securities [1]	25,868	2,973	1	28,840
Subtotal	194,132	8,734	850	202,016
Corporate obligations:				
Industrial	506,218	20,445	2,176	524,487
Energy	201,416	7,880	2,778	206,518
Communications and technology	234,280	12,630	1,193	245,717
Financial	200,124	9,928	919	209,133
Consumer	564,868	16,431	2,989	578,310
Public utilities	239,719	13,132	2,562	250,289
Subtotal	1,946,625	80,446	12,617	2,014,454
Corporate private-labeled residential mortgage-backed securities	41,969	2,563	—	44,532
Municipal securities	147,384	17,546	696	164,234
Other	94,062	1,122	2,989	92,195
Redeemable preferred stocks	14,546	125	1,195	13,476
Fixed maturity securities	2,438,718	110,536	18,347	2,530,907
Equity securities	23,289	1,386	679	23,996
Total	$ 2,462,007	$ 111,922	$ 19,026	$ 2,554,903

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

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

	March 31, 2017		December 31, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 200,894	$ 204,613	$ 177,007	$ 180,934
Due after one year through five years	761,788	797,927	751,986	788,759
Due after five years through ten years	998,894	1,024,724	1,020,233	1,043,340
Due after ten years	364,850	388,981	372,488	394,254
Securities with variable principal payments	101,565	109,072	102,458	110,144
Redeemable preferred stocks	14,535	14,391	14,546	13,476
Total	$ 2,442,526	$ 2,539,708	$ 2,438,718	$ 2,530,907

No material derivative financial instruments were held as of March 31, 2017 or December 31, 2016.

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 2016 Annual Report.

The following table provides information regarding fixed maturity and equity securities available for sale with unrealized losses by asset class and by length of time at March 31, 2017.

	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	$ 34,688	$ 607	$ 4	$ —	$ 34,692	$ 607
Federal agency issued residential mortgage-backed securities [1]	5,209	8	37	1	5,246	9
Subtotal	39,897	615	41	1	39,938	616
Corporate obligations:						
Industrial	58,215	1,412	3,038	55	61,253	1,467
Energy	38,266	545	28,492	1,665	66,758	2,210
Communications and technology	38,750	475	7,060	338	45,810	813
Financial	14,229	120	5,438	447	19,667	567
Consumer	113,509	2,461	—	—	113,509	2,461
Public utilities	50,917	2,237	1,610	122	52,527	2,359
Subtotal	313,886	7,250	45,638	2,627	359,524	9,877
Municipal securities	17,035	576	—	—	17,035	576
Other	2,977	24	43,688	2,759	46,665	2,783
Redeemable preferred stocks	6,682	327	—	—	6,682	327
Fixed maturity securities	380,477	8,792	89,367	5,387	469,844	14,179
Equity securities	9,033	51	—	—	9,033	51
Total	$ 389,510	$ 8,843	$ 89,367	$ 5,387	$ 478,877	$ 14,230

[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 securities available for sale with unrealized losses by asset class and by length of time at December 31, 2016.

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. Government	$ 37,557	$ 849	$ 4	$ —	$ 37,561	$ 849
Federal agency issued residential mortgage-backed securities [1]	180	—	41	1	221	1
Subtotal	37,737	849	45	1	37,782	850
Corporate obligations:						
Industrial	91,106	2,054	2,976	122	94,082	2,176
Energy	31,575	600	37,984	2,178	69,559	2,778
Communications and technology	35,985	745	6,953	448	42,938	1,193
Financial	21,914	199	5,165	720	27,079	919
Consumer	121,552	2,989	—	—	121,552	2,989
Public utilities	46,917	2,479	1,038	83	47,955	2,562
Subtotal	349,049	9,066	54,116	3,551	403,165	12,617
Municipal securities	16,948	696	—	—	16,948	696
Other	4,943	64	44,190	2,925	49,133	2,989
Redeemable preferred stocks	9,851	1,195	—	—	9,851	1,195
Fixed maturity securities	418,528	11,870	98,351	6,477	516,879	18,347
Equity securities	11,430	679	—	—	11,430	679
Total	$ 429,958	$ 12,549	$ 98,351	$ 6,477	$ 528,309	$ 19,026

[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 March 31, 2017 and December 31, 2016.

	March 31 2017	December 31 2016
Below cost for less than one year	146	160
Below cost for one year or more and less than three years	17	20
Below cost for three years or more	9	8
Total	172	188

We do not consider the unrealized losses related to these securities to be credit-related. The unrealized losses at March 31, 2017 primarily relate to changes in interest rates and market spreads subsequent to purchase. A substantial portion of investment securities that have unrealized losses are either corporate debt issued with investment grade credit ratings or other investment securities. Included in other investment securities are commercial mortgage-backed securities and asset-backed securities.

The following table summarizes investments in fixed maturity and equity securities available for sale with unrealized losses at March 31, 2017.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$ 479,683	$ 466,822	$ 12,861
Unrealized losses of 20% or less and greater than 10%	11,027	9,725	1,302
Subtotal	490,710	476,547	14,163
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	490,710	476,547	14,163
Securities owned with realized impairment:			
Unrealized losses of 10% or less	2,323	2,270	53
Unrealized losses of 20% or less and greater than 10%	74	60	14
Subtotal	2,397	2,330	67
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	2,397	2,330	67
Total	$ 493,107	$ 478,877	$ 14,230

The following table summarizes investments in fixed maturity and equity securities available for sale with unrealized losses at December 31, 2016.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$ 517,145	$ 501,873	$ 15,272
Unrealized losses of 20% or less and greater than 10%	26,552	23,093	3,459
Subtotal	543,697	524,966	18,731
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	908	715	193
Total investment grade	908	715	193
Below investment grade:			
Less than twelve months	130	104	26
Twelve months or greater	—	—	—
Total below investment grade	130	104	26
Unrealized losses greater than 20%	1,038	819	219
Subtotal	544,735	525,785	18,950
Securities owned with realized impairment:			
Unrealized losses of 10% or less	2,526	2,464	62
Unrealized losses of 20% or less and greater than 10%	74	60	14
Subtotal	2,600	2,524	76
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	2,600	2,524	76
Total	$ 547,335	$ 528,309	$ 19,026

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 March 31, 2017.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	$ 27,383	6%	$ 631	4%
AA	88,614	19%	3,048	22%
A	132,137	28%	3,692	26%
BBB	191,010	40%	4,501	32%
Total investment grade	439,144	93%	11,872	84%
BB	12,708	3%	1,244	9%
B and below	17,992	4%	1,063	7%
Total below investment grade	30,700	7%	2,307	16%
	$ 469,844	100%	$ 14,179	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, 2016.

	Fair Value	% of Total	Gross Unrealized Losses	% of Total
AAA	$ 27,051	5%	$ 983	5%
AA	87,400	17%	3,389	19%
A	135,619	26%	4,841	26%
BBB	234,305	46%	6,430	35%
Total investment grade	484,375	94%	15,643	85%
BB	14,359	3%	1,592	9%
B and below	18,145	3%	1,112	6%
Total below investment grade	32,504	6%	2,704	15%
	$ 516,879	100%	$ 18,347	100%

Residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade represented 32% of total below investment grade securities at March 31, 2017. Residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade represented 34% of total below investment grade securities at December 31, 2016.

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

	March 31, 2017		December 31, 2016	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturity securities available for sale:				
Due in one year or less	$ 7,017	$ 72	$ 3,727	$ 113
Due after one year through five years	47,381	354	43,474	516
Due after five years through ten years	297,529	7,642	344,940	9,525
Due after ten years	105,985	5,775	114,661	6,997
Total	457,912	13,843	506,802	17,151
Securities with variable principal payments	5,250	9	226	1
Redeemable preferred stocks	6,682	327	9,851	1,195
Total	$ 469,844	$ 14,179	$ 516,879	$ 18,347

The following table provides information regarding other-than-temporary impairments for the quarters ended March 31.

	2017	2016
Total other-than-temporary impairment losses	$ —	$ 17
Net other-than-temporary impairment losses recognized in earnings	7	24

The differences represent the non-credit portion of current or prior other-than-temporary impairment that was recorded in other comprehensive income. Corporate private-labeled residential mortgage-backed and other securities had impairments recorded in earnings of less than $0.1 million in the quarters ended March 31, 2017 and March 31, 2016. The other-than-temporary impairments recorded in earnings were determined based upon the present value of projected future cash flows.

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

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

	March 31, 2017		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Residential & non-agency MBS:			
Investment grade	$ 9,408	$ 9,106	$ 302
Below investment grade	37,493	35,194	2,299
Total residential & non-agency MBS	46,901	44,300	2,601
Other structured securities:			
Investment grade	61,376	62,486	(1,110)
Below investment grade	14,112	15,000	(888)
Total other structured securities	75,488	77,486	(1,998)
Total structured securities	$ 122,389	$ 121,786	$ 603

	December 31, 2016		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Residential & non-agency MBS:			
Investment grade	$ 9,949	$ 9,610	$ 339
Below investment grade	39,932	37,758	2,174
Total residential & non-agency MBS	49,881	47,368	2,513
Other structured securities:			
Investment grade	61,810	63,092	(1,282)
Below investment grade	13,450	15,317	(1,867)
Total other structured securities	75,260	78,409	(3,149)
Total structured securities	$ 125,141	$ 125,777	$ (636)

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.

	Quarter Ended March 31	
	2017	2016
Credit losses on securities held at beginning of the period	$ 13,224	$ 20,350
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	7	24
Reductions for securities sold	(3,826)	(4,407)
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	(6)	(5)
Credit losses on securities held at the end of the period	$ 9,399	$ 15,962

Realized Gains (Losses)

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

	Quarter Ended March 31	
	2017	2016
Gross gains resulting from:		
Sales of investment securities	$ 306	$ 248
Investment securities called and other	368	1,262
Real estate	—	1,020
Total gross gains	674	2,530
Gross losses resulting from:		
Sales of investment securities	—	(86)
Investment securities called and other	(1)	(1)
Mortgage loans	(5)	(4)
Total gross losses	(6)	(91)
Change in allowance for loan losses	(160)	76
Amortization of DAC, VOBA, and DRL	(20)	(43)
Net realized investment gains, excluding other-than-temporary impairment losses	488	2,472
Net impairment losses recognized in earnings:		
Other-than-temporary impairment losses on fixed maturity and equity securities	—	(17)
Portion of loss recognized in other comprehensive income	(7)	(7)
Net other-than-temporary impairment losses recognized in earnings	(7)	(24)
Net realized investment gains	$ 481	$ 2,448

Proceeds from Sales of Investment Securities

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

	Quarter Ended March 31	
	2017	2016
Proceeds	$ 8,124	$ 7,874

Non-Cash Investing Activity

There were no non-cash investing transactions in the first quarter of 2017. Non-cash investing transactions in the first quarter of 2016 consisted of a $3.0 million bond exchange with an issuer.

Mortgage Loans

Investments in mortgage loans totaled $629.4 million at March 31, 2017, compared to $630.9 million at December 31, 2016. Our mortgage loans are secured by commercial real estate and are stated at cost, adjusted for premium amortization and discount accretion, less an allowance for loan losses. We believe this allowance is at a level adequate to absorb estimated credit losses and was $3.5 million at March 31, 2017 and $3.3 million at December 31, 2016. We had 18% of our total investments in commercial mortgage loans at both March 31, 2017 and December 31, 2016. 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 47% at March 31, 2017 and 48% at December 31, 2016. 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.

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 one loan with an outstanding balance totaling $2.4 million during the quarter ended March 31, 2017 and three loans with outstanding balances totaling $6.5 million during the quarter ended March 31, 2016.

In the normal course of business, we commit to fund commercial mortgage loans generally up to 120 days in advance. These commitments typically have fixed expiration dates. A small percentage of commitments expire due to the borrower's failure to deliver the requirements of the commitment by the expiration date. In these cases, the commitment fee is retained. For additional information, please see Note 16 - 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. No changes were made to our categories as disclosed in our Annual Report. Please refer to our 2016 Annual Report for a full discussion of the fair value hierarchy and our policies regarding fair value measurements.

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

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 12,117	$ 144,788	$ —	$ 156,905
Federal agencies [1]	—	20,094	—	20,094
Federal agency issued residential mortgage-backed securities [1]	—	32,522	—	32,522
Subtotal	12,117	197,404	—	209,521
Corporate obligations:				
Industrial	—	517,856	—	517,856
Energy	—	203,582	—	203,582
Communications and technology	—	252,621	—	252,621
Financial	—	210,369	—	210,369
Consumer	—	574,809	—	574,809
Public utilities	—	259,715	—	259,715
Subtotal	—	2,018,952	—	2,018,952
Corporate private-labeled residential mortgage-backed securities	—	41,840	—	41,840
Municipal securities	—	164,030	—	164,030
Other	—	90,974	—	90,974
Redeemable preferred stocks	—	14,391	—	14,391
Fixed maturity securities	12,117	2,527,591	—	2,539,708
Equity securities	5,120	19,432	—	24,552
Separate account assets	—	388,486	—	388,486
Total	$ 17,237	$ 2,935,509	$ —	$ 2,952,746
Percent of total	1%	99%	—%	100%
Liabilities:				
Other policyholder funds:				
Guaranteed minimum withdrawal benefits	$ —	$ —	$ (2,581)	$ (2,581)
Separate account liabilities	—	388,486	—	388,486
Total	$ —	$ 388,486	$ (2,581)	$ 385,905

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

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$ 12,108	$ 140,757	$ —	$ 152,865
Federal agencies [1]	—	20,311	—	20,311
Federal agency issued residential mortgage-backed securities [1]	—	28,840	—	28,840
Subtotal	12,108	189,908	—	202,016
Corporate obligations:				
Industrial	—	524,487	—	524,487
Energy	—	206,518	—	206,518
Communications and technology	—	245,717	—	245,717
Financial	—	209,133	—	209,133
Consumer	—	578,310	—	578,310
Public utilities	—	250,289	—	250,289
Subtotal	—	2,014,454	—	2,014,454
Corporate private-labeled residential mortgage-backed securities	—	44,532	—	44,532
Municipal securities	—	164,234	—	164,234
Other	—	91,795	400	92,195
Redeemable preferred stocks	—	13,476	—	13,476
Fixed maturity securities	12,108	2,518,399	400	2,530,907
Equity securities	4,950	19,046	—	23,996
Separate account assets	—	373,256	—	373,256
Total	$ 17,058	$ 2,910,701	$ 400	$ 2,928,159
Percent of total	1%	99%	—%	100%
Liabilities:				
Other policyholder funds:				
Guaranteed minimum withdrawal benefits	$ —	$ —	$ (2,158)	$ (2,158)
Separate account liabilities	—	373,256	—	373,256
Total	$ —	$ 373,256	$ (2,158)	$ 371,098

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

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

	Quarter Ended March 31, 2017	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$ 400	$ (2,158)
Included in earnings	11	(414)
Included in other comprehensive income	(83)	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	60
Sales	(328)	—
Other dispositions	—	(69)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$ —	$ (2,581)

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

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 March 31, 2017 or March 31, 2016.

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 2016 Annual Report 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 March 31, 2017.

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

	March 31 2017	December 31 2016
	Increase/(Decrease) in millions	
A 10% increase in the mortality assumption	$ (0.1)	$ (0.1)
A 10% decrease in the lapse assumption	0.2	0.2
A 10% increase in the benefit utilization	0.7	0.7
A 10 basis point increase in the credit spreads used for non-performance	(0.3)	(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.

	March 31, 2017				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Fixed maturity securities available for sale	$ 12,117	$ 2,527,591	$ —	$ 2,539,708	$ 2,539,708
Equity securities available for sale	5,120	19,432	—	24,552	24,552
Mortgage loans	—	—	638,349	638,349	629,410
Policy loans	—	—	78,949	78,949	78,949
Cash and short-term investments	33,253	—	—	33,253	33,253
Separate account assets	—	388,486	—	388,486	388,486
Liabilities:					
Individual and group annuities	—	—	1,059,561	1,059,561	1,078,438
Supplementary contracts and annuities without life contingencies	—	—	52,926	52,926	54,202
Separate account liabilities	—	388,486	—	388,486	388,486
Other policyholder funds - GMWB	—	—	(2,581)	(2,581)	(2,581)

	December 31, 2016				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
Assets:					
Investments:					
Fixed maturity securities available for sale	$ 12,108	$ 2,518,399	$ 400	$ 2,530,907	$ 2,530,907
Equity securities available for sale	4,950	19,046	—	23,996	23,996
Mortgage loans	—	—	636,801	636,801	630,889
Policy loans	—	—	79,893	79,893	79,893
Cash and short-term investments	37,156	—	—	37,156	37,156
Separate account assets	—	373,256	—	373,256	373,256
Liabilities:					
Individual and group annuities	—	—	1,056,759	1,056,759	1,075,576
Supplementary contracts and annuities without life contingencies	—	—	53,167	53,167	54,483
Separate account liabilities	—	373,256	—	373,256	373,256
Other policyholder funds - GMWB	—	—	(2,158)	(2,158)	(2,158)

5. Financing Receivables

We have financing receivables with specific maturity dates that are recognized as assets in the Consolidated Balance Sheets.

The following table identifies financing receivables by classification amount.

	March 31 2017	December 31 2016
Receivables:		
Agent receivables, net (allowance $732; 2016 - $660)	$ 1,943	$ 1,661
Investment-related financing receivables:		
Mortgage loans, net (allowance $3,493; 2016 - $3,333)	629,410	630,889
Total financing receivables	$ 631,353	$ 632,550

Agent Receivables

We have 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.

	March 31, 2017			December 31, 2016		
	Gross Receivables	Allowance	Net Receivables	Gross Receivables	Allowance	Net Receivables
Agent specific loans	$ 1,289	$ 421	$ 868	$ 988	$ 346	$ 642
Other agent receivables	1,386	311	1,075	1,333	314	1,019
Total	$ 2,675	$ 732	$ 1,943	$ 2,321	$ 660	$ 1,661

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

	March 31 2017	December 31 2016
Beginning of year	$ 660	$ 1,197
Additions	94	210
Deductions	(22)	(747)
End of period	$ 732	$ 660

Mortgage Loans

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

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

	March 31 2017	December 31 2016
Mortgage loans collectively evaluated for impairment	$ 572,881	$ 566,865
Mortgage loans individually evaluated for impairment	60,022	67,357
Allowance for loan losses	(3,493)	(3,333)
Carrying value	$ 629,410	$ 630,889

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

		Amount of Payments Past Due			
	Book Value	30-59 Days	60-89 Days	> 90 Days	Total
March 31, 2017					
Industrial	$ 509	$ 5	$ —	$ —	$ 5
Office	—	—	—	—	—
Medical	4,922	75	75	825	975
Other	—	—	—	—	—
Total	$ 5,431	$ 80	$ 75	$ 825	$ 980
December 31, 2016					
Industrial	$ —	$ —	$ —	$ —	$ —
Office	—	—	—	—	—
Medical	4,922	75	75	600	750
Other	—	—	—	—	—
Total	$ 4,922	$ 75	$ 75	$ 600	$ 750

There was one mortgage loan that was over 30 days past due at March 31, 2017. Payment was subsequently received on this loan. One mortgage loan was over 90 days past due and in the process of foreclosure at March 31, 2017 and December 31, 2016. We had no troubled loans that were restructured or modified during the first quarters of 2017 or 2016.

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

	March 31 2017	December 31 2016
Beginning of year	$ 3,333	$ 2,659
Provision	160	674
Deductions	—	—
End of period	$ 3,493	$ 3,333

Please refer to our 2016 Annual Report for additional information regarding our mortgage loans.

6. Variable Interest Entities (VIEs)

We invest in certain affordable housing and real estate joint ventures. These VIEs are included in Real Estate in the Consolidated Balance Sheets. Please refer to our 2016 Annual Report 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.

The following table provides information regarding our VIEs.

	Quarter Ended March 31	
	2017	2016
Federal income tax credits realized	$ 688	$ 688
Amortization	383	341

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 March 31, 2017 and December 31, 2016. The table includes investments in five real estate joint ventures and 19 affordable housing real estate joint ventures at both March 31, 2017 and December 31, 2016.

	March 31 2017		December 31 2016	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate joint ventures	$ 21,806	$ 21,806	$ 21,098	$ 21,098
Affordable housing real estate joint ventures	9,401	33,832	9,784	34,215
Total	$ 31,207	$ 55,638	$ 30,882	$ 55,313

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 March 31, 2017 and December 31, 2016, we had no 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 March 31, 2017 included $15.0 million of losses which could be realized if the tax credits received by the VIEs were recaptured, compared to $14.6 million at December 31, 2016. 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 was recorded at fair value of $120.6 million at March 31, 2017. The fair value of the separate accounts with the GMWB rider was $116.5 million at December 31, 2016. The GMWB guarantee liability was $(2.6) million at March 31, 2017 and $(2.2) million at December 31, 2016. The change in this value is included in Policyholder Benefits in the Consolidated Statements of Comprehensive Income. The value of variable annuity separate accounts with the GMWB rider is recorded in Separate Account Liabilities, and the value of the rider is included in Other Policyholder Funds in the Consolidated Balance Sheets.

We have two blocks of variable universal life policies and variable annuity contracts from which fees are received. The fees are based upon both specific transactions and the fund value of the blocks of policies. We have a direct block of ongoing business identified in the Consolidated Balance Sheets as separate account assets, totaling $388.5 million at March 31, 2017 and $373.3 million at December 31, 2016, 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. The Future Policy Benefits for the direct block approximated $0.4 million at both March 31, 2017 and December 31, 2016.

In addition, we have an assumed closed block of variable universal life business that totaled $307.0 million at March 31, 2017 and $295.7 million at December 31, 2016. 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 assumed block approximated $0.6 million at both March 31, 2017 and December 31, 2016.

8. Short-Duration Contracts and Unpaid Claims Liability

Incurred-but-not-reported liabilities for the group long-term disability product that were included in the liability for unpaid claims and claim adjustment expenses, net of reinsurance, totaled $0.6 million at both March 31, 2017 and December 31, 2016.

The liability for unpaid claims is included with Policy and Contract Claims and Future Policy Benefits in the Consolidated Balance Sheets. Claim adjustment expenditures are expensed as incurred and were not material in any period presented.

The following tables present activity in the accident and health portion of the unpaid claims liability for the Individual Insurance, Group Insurance, and Old American segments. Classified as policy and contract claims, but excluded from these tables, are amounts recorded for group life, individual life, and deferred annuities.

	Individual Insurance Segment	
	Quarter Ended March 31	
	2017	2016
Gross liability at beginning of the period	$ 785	$ 995
Less reinsurance recoverable	(445)	(595)
Net liability at beginning of the period	340	400
Incurred benefits related to:		
Current year	8	8
Prior years [1]	49	(17)
Total incurred benefits	57	(9)
Paid benefits related to:		
Current year	—	2
Prior years	69	25
Total paid benefits	69	27
Net liability at end of the period	328	364
Reinsurance recoverable	429	557
Gross liability at end of the period	$ 757	$ 921

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

	Group Insurance Segment	
	Quarter Ended March 31	
	2017	2016
Gross liability at beginning of the period	$ 26,020	$ 26,045
Less reinsurance recoverable	(19,850)	(20,142)
Net liability at beginning of the period	6,170	5,903
Incurred benefits related to:		
Current year	6,612	6,730
Prior years [1]	136	207
Total incurred benefits	6,748	6,937
Paid benefits related to:		
Current year	4,298	4,326
Prior years	2,169	2,140
Total paid benefits	6,467	6,466
Net liability at end of the period	6,451	6,374
Reinsurance recoverable	20,238	20,904
Gross liability at end of the period	$ 26,689	$ 27,278

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

	Old American Segment	
	Quarter Ended March 31	
	2017	2016
Gross liability at beginning of the period	$ 5,341	$ 6,132
Less reinsurance recoverable	(5,260)	(6,054)
Net liability at beginning of the period	81	78
Incurred benefits related to:		
Current year	20	21
Prior years [1]	(23)	(14)
Total incurred benefits	(3)	7
Paid benefits related to:		
Current year	1	3
Prior years	(2)	5
Total paid benefits	(1)	8
Net liability at end of the period	79	77
Reinsurance recoverable	5,485	5,905
Gross liability at end of the period	$ 5,564	$ 5,982

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

The following table presents the reconciliation of amounts in the above tables to Policy and Contract Claims and claim reserves that are included in Future Policy Benefits as presented in the Consolidated Balance Sheets.

	Quarter Ended March 31	
	2017	2016
Individual Insurance Segment:		
Individual accident and health	$ 757	$ 921
Individual life	22,096	19,056
Deferred annuity	3,913	3,908
Subtotal	26,766	23,885
Group Insurance Segment:		
Group accident and health	26,689	27,278
Group life	1,438	2,024
Subtotal	28,127	29,302
Old American Segment:		
Individual accident and health	5,564	5,982
Individual life	6,368	6,674
Subtotal	11,932	12,656
Total	$ 66,825	$ 65,843

9. Debt

We had no notes payable outstanding at March 31, 2017 or December 31, 2016.

As a member of the Federal Home Loan Bank of Des Moines (FHLB) with a capital investment of $4.8 million at March 31, 2017, we have the ability to borrow on a collateralized basis from the FHLB. An insignificant amount of dividends were received on the capital investment in both the first quarters of 2017 and 2016.

We have unsecured revolving lines of credit with two major commercial banks. The lines of credit available totaled $70.0 million at March 31, 2017 and December 31, 2016, 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.

10. Income Taxes

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

	Quarter Ended March 31	
	2017	2016
Federal income tax rate	35 %	35 %
Tax credits, net of equity adjustment	(5)%	(7)%
Permanent differences and other	(1)%	4 %
Effective income tax rate	29 %	32 %

The following table provides information about taxes paid.

	Quarter Ended March 31	
	2017	2016
Cash paid for income taxes	$ 1,000	$ 1,000

We had no material uncertain tax positions at March 31, 2017 or December 31, 2016.

At March 31, 2017, we had a current tax asset of $1.2 million and a $70.0 million net deferred tax liability, compared to a $1.9 million current tax asset and a $68.2 million net deferred tax liability at December 31, 2016.

11. Pensions and Other Postemployment Benefits (OPEB)

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

	Pension Benefits		OPEB	
	Quarter Ended March 31		Quarter Ended March 31	
	2017	2016	2017	2016
Service cost	$ —	$ —	$ 77	$ 130
Interest cost	1,181	1,333	228	363
Expected return on plan assets	(2,410)	(2,351)	—	—
Amortization of:				
Unrecognized actuarial net (gain) loss	659	662	(208)	24
Unrecognized prior service credit	(16)	—	(207)	(244)
Net periodic benefit cost (credit)	$ (586)	$ (356)	$ (110)	$ 273

12. 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 2016 Annual Report for additional information regarding this plan.

During the first quarter of 2017, the plan made cash payments totaling $0.5 million for the three-year interval ended December 31, 2016. During the first quarter of 2016, the plan made cash payments totaling $1.7 million for the three-year interval ended December 31, 2015.

At each reporting period, an estimate of the share-based compensation expense is accrued, utilizing the share price at the period end. The change in accrual for share-based compensation that reduced operating expense in the first quarter of 2017 was $0.1 million, net of tax. There was no share-based compensation expense in the first quarter of 2016.

13. Comprehensive Income

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

The following tables provide information about comprehensive income.

	Quarter Ended March 31, 2017		
	Pre-Tax Amount	Tax Expense (Benefit)	Net-of-Tax Amount
Net unrealized gains arising during the period:			
Fixed maturity securities	$ 5,292	$ 1,853	$ 3,439
Equity securities	574	201	373
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	306	107	199
Other-than-temporary impairment losses recognized in earnings	—	—	—
Other-than-temporary impairment losses recognized in other comprehensive income	(7)	(2)	(5)
Net unrealized gains excluding impairment losses	5,567	1,949	3,618
Effect on DAC, VOBA, and DRL	176	62	114
Future policy benefits	(476)	(167)	(309)
Policyholder account balances	(26)	(9)	(17)
Other comprehensive income	$ 5,241	$ 1,835	$ 3,406
Net income			5,168
Comprehensive income			$ 8,574

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

The following table provides accumulated balances related to each component of accumulated other comprehensive loss at March 31, 2017, 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	$ 58,633	$ 1,750	$ (41,448)	$ (9,492)	$ (14,453)	$ (306)	$ (5,316)
Other comprehensive income (loss) before reclassification	3,420	4	—	127	(309)	(17)	3,225
Amounts reclassified from accumulated other comprehensive loss	199	(5)	—	(13)	—	—	181
Net current-period other comprehensive income (loss)	3,619	(1)	—	114	(309)	(17)	3,406
End of period	$ 62,252	$ 1,749	$ (41,448)	$ (9,378)	$ (14,762)	$ (323)	$ (1,910)

The following table provides accumulated balances related to each component of accumulated other comprehensive loss at December 31, 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	(3,870)	(932)	12,152	1,689	(1,960)	(10)	7,069
Amounts reclassified from accumulated other comprehensive loss	3,340	(403)	—	(112)	—	—	2,825
Net current-period other comprehensive income (loss)	(530)	(1,335)	12,152	1,577	(1,960)	(10)	9,894
End of year	$ 58,633	$ 1,750	$ (41,448)	$ (9,492)	$ (14,453)	$ (306)	$ (5,316)

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

	Quarter Ended March 31	
	2017	2016
Reclassification adjustments related to unrealized gains (losses) on investment securities:		
Net realized investment gains, excluding impairment losses[1]	$ 306	$ 1,413
Income tax expense [2]	(107)	(495)
Net of taxes	199	918
Other-than-temporary impairment losses[1]	(7)	(24)
Income tax benefit [2]	2	8
Net of taxes	(5)	(16)
Reclassification adjustment related to DAC, VOBA, and DRL [1]	(20)	(43)
Income tax benefit [2]	7	15
Net of taxes	(13)	(28)
Total pre-tax reclassifications	279	1,346
Total income tax expense	(98)	(472)
Total reclassification, net taxes	$ 181	$ 874

[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.

14. 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 for both the first quarters ended March 31, 2017 and 2016 was 9,683,414. The number of shares outstanding at both March 31, 2017 and December 31, 2016 was 9,683,414.

15. 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 March 31, 2017			
	Individual Insurance	Group Insurance	Old American	Consolidated
Insurance revenues	$ 35,649	$ 14,503	$ 21,822	$ 71,974
Interest credited to policyholder account balances	18,010	—	—	18,010
Amortization of deferred acquisition costs	3,534	—	4,611	8,145
Income tax expense (benefit)	2,267	55	(236)	2,086
Net income (loss)	5,504	100	(436)	5,168

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

16. Commitments, Contingent Liabilities, Guarantees, and Indemnifications

Commitments

In the normal course of business, we have open purchase and sale commitments. At March 31, 2017, we had purchase commitments to fund mortgage loans of $51.8 million.

After March 31, 2017, we entered into commitments to fund additional mortgage loans of $9.6 million.

Contingent Liabilities, Guarantees, and Indemnifications

Please refer to our 2016 Annual Report for information regarding our contingent liabilities, guarantees, and indemnifications. There have been no significant changes to these items during the quarter ended March 31, 2017.

17. Subsequent Events

The Company evaluated events that occurred subsequent to March 31, 2017 through April 27, 2017, the date the consolidated financial statements were issued.

Effective April 20, 2017, Mr. Tracy W. Knapp resigned as Senior Vice President, Finance of Kansas City Life and as member of the Board of Directors. On April 24, 2017, Mr. Philip A. Williams was elected to fill the vacancy on the Board of Directors. In addition, Mr. Williams was elected to the position of Senior Vice President, Finance.

On April 24, 2017, the Kansas City Life Board of Directors declared a quarterly dividend of $0.27 per share, payable on May 10, 2017 to stockholders of record on May 4, 2017.

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 ended March 31, 2017.