



DEPARTMENT OF COMMERCE & INSURANCE

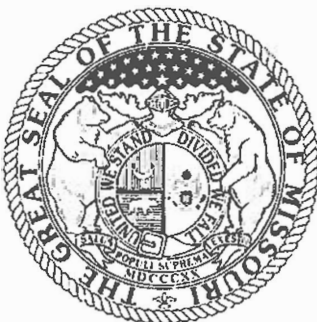
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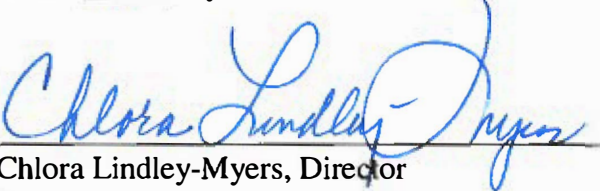
ORDER

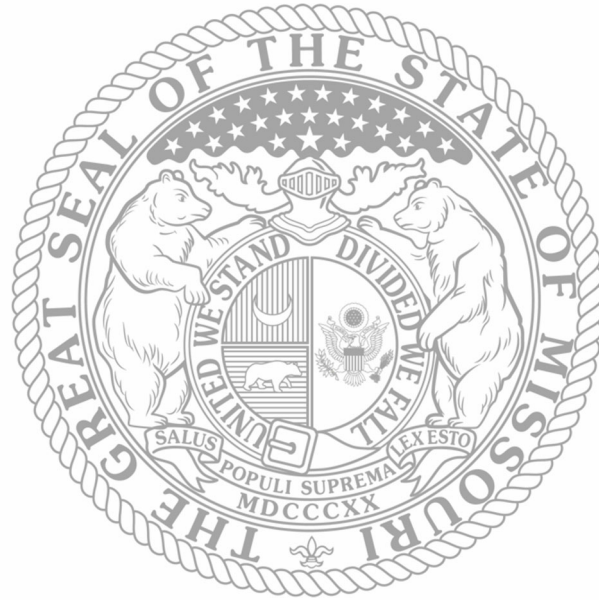
After full consideration and review of the report of the financial examination of Kansas City Life Insurance Company for the period ended December, 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Kansas City Life Insurance Company as of December 31, 2019 be and is hereby ADOPTED as filed and for Kansas City Life Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 18th day of December, 2020.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

KANSAS CITY LIFE INSURANCE COMPANY

AS OF
DECEMBER 31, 2019

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Kansas City, MO
November 13, 2020

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial examination has been made of the records, affairs, and financial condition of

Kansas City Life Insurance Company (NAIC #65129)

hereinafter referred to as such, as KC Life, or as the Company. Its administrative office is located at 3520 Broadway Boulevard, Kansas City, Missouri, telephone number (816) 753-7000. The fieldwork for this examination began on February 3, 2020, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a multiple-state financial examination of KC Life. The last examination of the Company by the Department covered the period of January 1, 2010 through December 31, 2014. The current examination covers the period of January 1, 2015 through December 31, 2019, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to KC Life included Investments, Underwriting, Claims Handling/Reserving, Reinsurance, Related Parties, Separate Accounts, and Other Assets/Other Liabilities. The examination also included a review and evaluation of information technology general controls.

This examination was conducted as part of a coordinated examination of the Kansas City Life Insurance Group, which consists of four insurance companies domiciled in two states. Missouri is the lead state regulator for the group. Along with Missouri, Ohio participated in the coordinated examination. The examination was also conducted concurrently with the examinations of the Company's affiliates: Sunset Life Insurance Company of America (Sunset Life), Old American Life Insurance Company (Old American), and Grange Life Insurance Company (Grange Life).

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse finding, significant non-compliance issues, or material changes to the financial statements noted during the examination.

COMPANY HISTORY

General

Kansas City Life Insurance Company was incorporated under the laws of Missouri on May 1, 1895, and commenced business in June 1895, as Bankers Life Association. In June 1899, Bankers Life Association was reincorporated as a premium company and changed its name to Kansas City Life Insurance Company on June 13, 1903. KC Life currently operates as a stock life insurance company, in accordance with the provisions of Chapter 376 RSMo (Life, Health and Accident insurance).

Mergers, Acquisitions, and Major Corporate Events

On July 27, 2015, KC Life announced its intentions to suspend registration of its common stock under Section 12(b) of the Securities Exchange Act of 1934 and terminate the listing of its common stock on the NASDAQ Capital Market. In December 2015, KC Life completed a reverse/forward stock split transaction. This transaction occurred as part of a 1-for-250 reverse stock split of the Company's common stock. KC Life purchased approximately 9% of outstanding shares (around 906,500 shares) for a total of \$47.6 million. The Company subsequently completed a 250-for-1 forward stock split for each one share of its common stock (including each fractional share of such class of stock in excess of one share). The purpose of the transaction was to allow the Company to deregister from the Securities and Exchange Commission and to delist its common stock from NASDAQ Capital Market. These activities were effective as of December 16, 2015. Effective January 4, 2016, the Company began trading on the OTCQX Market, an "over-the-counter" exchange.

On October 1, 2018, KC Life acquired all of the issued and outstanding stock of Grange Life from its then parent, Grange Mutual Casualty Company for approximately \$75 million. At the time of the acquisition, Grange Life reported approximately \$390.7 million of statutory admitted assets and \$41.1 million of capital and surplus. Grange Life is a life insurance company domiciled in the state of Ohio and licensed in fifteen states to sell traditional life insurance, universal life, and fixed annuity products.

Dividends and Capital Contributions

KC Life paid ordinary dividends to stockholders in each year under examination. These dividend payments are summarized in the table below.

Year	Amount
2015	\$ 11,539,011
2016	10,458,169
2017	10,457,978
2018	10,458,196
2019	10,458,087
Total	\$ 53,371,441

The Company had a paid-in surplus adjustment of \$17,982 in 2015 related to the sale of treasury stock to the Employee Stock Ownership Plan. There were no other surplus adjustments or capital contributions during the examination period.

Surplus Notes

There were no surplus notes issued or outstanding during the examination period.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors that are elected by the shareholders. The Company’s Articles of Incorporation specify that there shall be fifteen persons, divided into three equal classes. At each annual meeting of the stockholders, five Directors are elected to serve three-year terms. The Board of Directors elected and serving as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
R. Philip Bixby Kansas City, Missouri	President, Chief Executive Officer, and Chairman KC Life
Walter E. Bixby Kansas City, Missouri	Executive Vice President and Vice Chairman KC Life
Kevin G. Barth Kansas City, Missouri	President and Chief Operating Officer Commerce Bancshares, Inc.
William R. Blessing Overland Park, Kansas	Retired Senior Vice President Embarq
Michael Braude Kansas City, Missouri	Retired President and Chief Executive Officer Kansas City Board of Trade
James T. Carr Kansas City, Missouri	President and Chief Executive Officer National Association of Intercollegiate Athletics
John C. Cozad Platte City, Missouri	President Cozad Company, LLC
Thomas M. Hoenig Kansas City, Missouri	Former President and Chief Executive Officer Federal Reserve Bank of Kansas City

Nancy B. Hudson Kansas City, Missouri	Director Sunset Life and Old American
David S. Kimmel Rye, New York	Managing Partner Summit Capital LLC
A. Craig Mason, Jr. Kansas City, Missouri	Senior Vice President, General Counsel, and Secretary KC Life
Cecil R. Miller Kansas City, Missouri	Retired Partner KPMG, LLP
Mark A. Milton Kansas City, Missouri	Senior Vice President and Actuary KC Life
William A. Schalekamp Kansas City, Missouri	Retired Senior Vice President, General Counsel, and Secretary KC Life
Philip A. Williams Kansas City, Missouri	Senior Vice President, Finance KC Life

Senior Officers

KC Life’s Bylaws state that the officers of the Company shall consist of a President and a Secretary. The Board of Directors may also elect a Chairman and Vice Chairman of the Board, one or more Vice Presidents (who may be designated as Executive Vice Presidents or Senior Vice Presidents), Treasurer, Controller, General Counsel, Actuary, Auditor, and any other such Officers as deemed advisable by the Board of Directors. The principal officers, as listed on the Jurat page of the 2019 Annual Statement, were as follows:

<u>Name</u>	<u>Office</u>
R. Philip Bixby	President, Chief Executive Officer, and Chairman
A. Craig Mason, Jr.	Senior Vice President, General Counsel, and Secretary
David A. Laird	Vice President and Controller
Walter E. Bixby	Executive Vice President and Vice Chairman
Donald E. Krebs	Senior Vice President, Sales and Marketing
Mark A. Milton	Senior Vice President and Actuary
Stephen E. Ropp	Senior Vice President, Operations
Philip A. Williams	Senior Vice President, Finance

Principal Committees

The Company’s Bylaws provide the Board of Directors the ability to authorize an Executive Committee, Nominating Committee, Audit Committee, and any other committees deemed necessary by the Board of Directors. Each committee must consist of two or more directors. The established committees and the members designated and serving as of December 31, 2019, were as follows:

Nominating Committee

R. Philip Bixby*
Walter E. Bixby
Michael Braude
Philip A. Williams

Audit Committee

Cecil R. Miller*
David S. Kimmel
Thomas M. Hoenig

Executive Committee

R. Philip Bixby*
Walter E. Bixby
William R. Blessing
James T. Carr
Mark A. Milton
William A. Schalekamp
Philip A. Williams

Investment Committee

R. Philip Bixby*
Walter E. Bixby
Donald E. Krebs
Mark A. Milton
Stephen E. Ropp
Philip A. Williams
A. Craig Mason, Jr.

Compensation Committee

Michael Braude*
William R. Blessing
Kevin G. Barth

Personnel Committee

R. Philip Bixby*
Walter E. Bixby
Donald E. Krebs
Mark A. Milton
Stephen E. Ropp

* Denotes Committee Chairman

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. There were two amendments to the Articles of Incorporation during the examination period. Both of the amendments were related to the reverse/forward stock splits as discussed under the "Mergers, Acquisitions, and Major Corporate Events" subsection above. There were no amendments to the Company's Bylaws during the examination period. The minutes of the Board of Directors, stockholders, and committee meetings were reviewed for the period under examination.

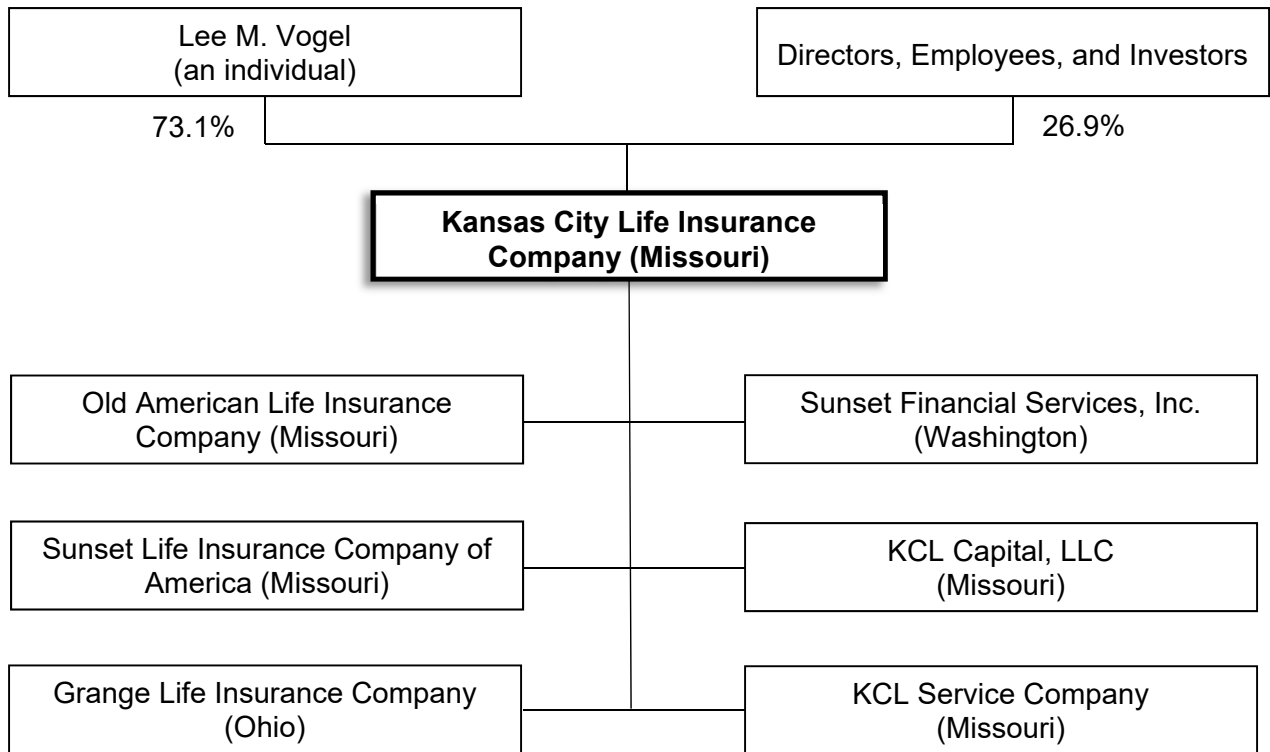
Holding Company, Subsidiaries, and Affiliates

KC Life is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). It is the lead company of the KC Life Insurance Group, which includes the wholly-owned insurance subsidiaries Sunset Life Insurance Company of America and Old American Insurance Company, which are both domiciled in the state of Missouri, and Grange Life Insurance Company, which is an Ohio domestic insurance company. KC Life also wholly owns three non-insurance subsidiaries: KCL Service Company, KCL Capital, LLC, and Sunset Financial Services, Inc (Sunset Financial). Sunset Financial is a Washington corporation that markets KC Life's variable products and performs investment services for policyholders. KCL Service Company and KCL Capital, LLC do not have any significant operations.

Lee M. Vogel, an individual, is considered the ultimate controlling person, pursuant to a 2004 stock voting agreement that grants him majority control of the Company's stock. As of December 31, 2019, Mr. Vogel owned 73.1% of KC Life's outstanding shares. Minority interest shareholders consisting of directors, employees, and institutional investors constitute the remaining shareholders of KC Life.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2019. All subsidiaries are wholly-owned unless otherwise noted.



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2019. A brief description of these agreements are as follows:

Tax Allocation Agreement: Each of the companies within the KC Life Insurance Group holding company system is party to the Tax Allocation Agreement that has been in effect since December 31, 2008, with an addendum in October 1, 2018 to add Grange Life to the agreement. The KC Life Insurance Group files a consolidated federal income tax return each year. The portion of the consolidated tax liability allocated to each subsidiary is based upon the subsidiary’s tax liability on a stand-alone basis.

Cost Sharing Agreement: KC Life and Old American have been parties to a Cost Sharing Agreement since October 1, 2008. Under the terms of this agreement, the companies agree to share the expenses of executive management, investment, tax, data processing, and other administrative services.

Intercompany Affiliate Service Agreement: KC Life and Sunset Life have been parties to the Intercompany Affiliate Service Agreement since October 1, 2008. This agreement outlines the companies’ desire to share in the use of certain administrative and special services (known as “services”), as well as the use of day-to-day operations of certain property, equipment, and facilities (referred to as “facilities”). Examples of services include, but are not limited to, accounting, tax, auditing, underwriting, claims, investment, and other functional services such as actuarial, information technology and communications, and legal services. Facilities include data

processing, communication, and other equipment, as well as business property.

Administrative Services and Cost Sharing Agreement: Effective October 1, 2018, KC Life entered into an administrative services and cost sharing agreement with its newly acquired subsidiary, Grange Life. Under the terms of this agreement, the companies agree to share expenses of various services, including executive management, investment, tax, data processing, and other administrative facilities.

Intercompany Retained Asset Program for Benefit Payments Agreement: KC Life, Old American, and Sunset Life are all party to an agreement known as the Intercompany Retained Asset Program for Benefit Payments Agreement. Under the terms of this agreement, certain benefit payments for each party will be paid through a KC Life corporate account with State Street banks. Retained asset checking accounts are established for beneficiaries of death claims, as well as cash surrenders in excess of \$10,000 for each insurance company under the agreement. Each party funds its own account for disbursement liabilities. This arrangement has been in effect since January 1, 2006.

KC Life also has various agreements with its non-insurance affiliates, including Cost Sharing and Distribution Agreements with Sunset Financial. Under the Cost Sharing Agreement, which has been in effect since January 1, 2011, KC Life and Sunset Financial agree to share the costs of various management, tax, accounting, and other administrative services. Under the terms of the Distribution Agreement, Sunset Financial is designated as an exclusive distributor of KC Life's variable annuity and variable life separate account products. The Distribution Agreement outlines the responsibility for various activities, including financial responsibility, related to the registering and issuing of the variable contract products.

TERRITORY AND PLAN OF OPERATION

Kansas City Life Insurance Company is licensed by the Missouri Department of Commerce and Insurance under Chapter 376 RSMo (Life, Health and Accident Insurance) to provide life, health and accident insurance and variable contracts. KC Life is licensed and operates in 49 states and the District of Columbia.

KC Life markets individual life insurance and annuity products, including traditional and interest-sensitive products, through a nation-wide sales force of independent general agents, agents, and third-party marketing arrangements. Variable Life and variable annuity contracts are offered through the Company's separate accounts operation. KC Life also markets group insurance products through a nation-wide sales force of independent agents, group brokers, and third-party marketing arrangements. Group insurance products offered by KC Life include life, dental, vision, and disability products.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The Company did not have significant premium growth during the examination period, with an increase in net premiums written of approximately \$4.0 million or 1.4% during the examination period. Although premiums did not increase significantly, KC Life's premiums-to-surplus ratio increased 15%, due to the approximate \$36.8 million decrease in capital and surplus related to the Grange Life acquisition.

Benefits and expenses fluctuated during the examination period, largely consistent with the fluctuations in net premiums written. Net income decreased by \$8.6 million from 2018 to 2019, as a result of increased benefit and expense payments, which were driven largely by the change

in reserves for life and accident and health contracts, as well as an increase in annuity benefits.

The table below summarizes the Company's growth and loss experience for the period under examination:

(\$000s omitted)

Year	Net Premiums Written	Change in Net Premiums	Benefits and Expenses	Capital and Surplus	Ratio of Net Premiums to Surplus	Net Income (Loss)
2015	\$ 282,809	\$ (20,612)	\$ 357,034	\$ 297,612	95.0%	\$ 29,149
2016	287,575	4,766	371,083	323,304	88.9%	12,457
2017	300,740	13,165	375,381	307,501	97.8%	15,977
2018	286,894	(13,846)	339,728	278,157	103.1%	15,510
2019	286,787	(107)	366,045	260,804	110.0%	6,929

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

Premium Type	2015	2016	2017	2018	2019
Direct Premiums Written	\$ 294,937	\$ 302,971	\$ 319,930	\$ 308,879	\$ 313,962
Reinsurance Assumed:					
Affiliates	424	266	215	203	180
Non-Affiliates	32,820	30,517	28,544	27,342	25,755
Reinsurance Ceded:					
Affiliates	-	-	-	-	-
Non-Affiliates	45,371	46,180	47,948	49,530	53,111
Net Premiums Written	\$ 282,810	\$ 287,574	\$ 300,741	\$ 286,894	\$ 286,787

Assumed Reinsurance

Most of the business assumed by KC Life is associated with two material reinsurance agreements, as follows:

1) Security Benefit Life Insurance Company – In 1997, KC Life acquired a block of traditional life and universal life products under a 100% coinsurance and servicing agreement with Security Benefit Life Insurance Company. Investments equal to policy reserves are held in a trust to secure payment of the estimated liabilities related to the policies. In 2019, KC Life reported assumed premiums of \$8.7 million, reserves of \$156.9 million, and reinsurance payables of \$3.2 million related to this agreement.

2) American Family Life Insurance Company – In 2013, KC Life acquired a block of variable universal life insurance policies and variable annuity contracts from American Family Life Insurance Company. Under this reinsurance agreement, KC Life assumes 100% of the separate account liabilities on a modified coinsurance basis and 100% of the general account liabilities on a coinsurance basis. KC Life receives fees based upon specific transactions and the fund value of the block of policies. KC Life reported assumed premiums of \$16.9 million, reserves of \$31.6 million, and an immaterial amount of reinsurance payables under this contract in 2019.

KC Life also assumes an immaterial amount of business from its subsidiary, Sunset Life. KC Life

has traditionally only acquired closed blocks of business, rather than new business. The aforementioned treaty with American Family Life Insurance Company in 2013 was the last assumed reinsurance agreement entered into by KC Life.

Ceded Reinsurance

New sales of traditional life and universal life products are reinsured on a yearly renewable term basis in excess of \$500,000, while sales of certain term life insurance products are reinsured on a quota share coinsurance basis. Group life products are reinsured on an excess of retention basis, with accidental death and dismemberment benefits being 100% reinsured. The maximum retention on group life business is \$100,000 for any one life. Group disability lines are reinsured on a quota share basis.

In 2019, KC Life ceded life reserves of \$219.7 million and accident and health reserves of \$24.6 million and reported a life reinsurance recoverable \$12.7 million and an accident and health reinsurance recoverable of \$3.5 million. Premiums ceded were \$42.2 million for life policies and \$11.0 million for accident and health. All major reinsurers have at least an “A” financial strength rating from A.M. Best. The largest reinsurers as of the examination date are summarized in the table below:

Notable Reinsurers			
Reinsurer	Total Reinsurance Recoverable (Life & A&H)	Total Reserve Ceded (Life & A&H)	Total Premium Ceded (Life & A&H)
TransAmerica Life Insurance Company	\$6.3 million	\$73.5 million	\$9.6 million
Security Life Insurance Company of Denver	\$1.3 million	\$42.0 million	\$5.9 million
RGA Reinsurance Company	\$1.2 million	\$33.4 million	\$7.9 million

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance contract.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, BKD, LLP (BKD) in Kansas City, Missouri, performed the statutory audit of the Company for the years 2016 through 2019. The Company’s prior CPA firm, KPMG, LLP performed the statutory audit for 2015. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, journal entry testing, consideration of fraud, walkthroughs and testing of controls, and substantive testing.

Actuarial Opinion

The Company’s actuarial opinion regarding reserves and other actuarial items was issued by Karen Dierker, FSA, MAAA, for all years in the examination period. Ms. Dierker is employed by Kansas City Life Insurance Group in the Company’s home office in Kansas City, Missouri.

Consulting Actuary

Pursuant to a contract with the Department, Randall Stevenson, ASA, MAAA, of Hause Actuarial Solutions, Inc., reviewed the underlying actuarial assumptions and methodologies used by KC Life to determine the adequacy of reserves and other actuarial items.

Information Systems

In conjunction with this examination, Kim Dobbs, CFE, AES, CISA, Information Systems Financial Examiner with the Department, conducted a review of the Company's information systems.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of KC Life for the period ending December 31, 2019. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2019

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 1,977,337,178	\$ -	\$ 1,977,337,178
Stocks:			
Preferred Stocks	20,280,931	-	20,280,931
Common Stocks	83,164,087	97,178	83,066,909
Mortgage Loans on Real Estate:			
First Liens	500,614,668	-	500,614,668
Real Estate:			
Properties Occupied by the Company	1,076,142	-	1,076,142
Properties Held for the Production of Income	148,116,100	169,662	147,946,438
Cash, Cash Equivalents, and Short- Term Investments	44,103,201	-	44,103,201
Contract Loans	57,857,861	25,551	57,832,310
Derivatives	4,362,888	-	4,362,888
Other Invested Assets	25,274,058	619,281	24,654,777
Investment Income Due and Accrued Premiums and Considerations:	24,519,955	202,840	24,317,115
Uncollected Premiums and Agents' Balances in the Course of Collection	3,344,926	2,698,307	646,619
Deferred Premiums, Agents' Balances and Installments Booked but Deferred and Not Yet Due	6,128,972	-	6,128,972
Reinsurance:			
Amounts Recoverable from Reinsurers	1,359,088	164,707	1,194,381
Other Amounts Receivable Under Reinsurance Contracts	3,358	-	3,358
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	1,629,226	-	1,629,226
Net Deferred Tax Asset	42,489,843	24,526,970	17,962,873
Guaranty Funds Receivable or on Deposit	455,391	-	455,391
Electronic Data Processing Equipment and Software	946,920	-	946,920
Furniture and Equipment, Including Health Care Delivery Assets	3,049,695	3,049,695	-
Receivables from Parent, Subsidiaries, and Affiliates	683,540	-	683,540
Aggregate Write-Ins for Other-Than- Invested Assets	105,699,964	52,252,527	53,447,437
From Separate Accounts, Segregated Accounts, and Protected Cell Accounts	431,200,706	-	431,200,706
TOTAL ASSETS	\$ 3,483,698,698	\$ 83,806,718	\$ 3,399,891,980

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Aggregate Reserve for Life Contracts	\$ 2,369,087,176
Aggregate Reserve for Accident and Health Contracts	5,546,856
Liability for Deposit-Type Contracts	115,005,400
Contract Claims:	
Life	18,073,387
Accident and Health	3,646,256
Policyholders' Dividends and Coupons Due and Unpaid	1,613
Provision for Policyholders' Dividends and Coupons Payable in Following Calendar Year – Estimated Amounts:	
Dividends Apportioned for Payment	2,154,339
Coupons and Similar Benefits	31,280
Premiums and Annuity Considerations for Life and Accident and Health Contracts Received in Advance	2,039,534
Contract Liabilities Not Included Elsewhere:	
Provision for Experience Rating Refunds	43,462
Other Amounts Payable on Reinsurance	785,923
Interest Maintenance Reserve	8,143,680
Commissions to Agents Due or Accrued	999,156
General Expenses Due or Accrued	6,225,183
Transfers to Separate Accounts Due or Accrued	(6,389,727)
Taxes, Licenses, and Fees Due or Accrued, Excluding Federal Income Taxes	2,288,827
Unearned Investment Income	327,023
Amounts Withheld or Retained by Company as Agent or Trustee	61,212,325
Amounts Held for Agents' Account	201,000
Remittances and Items Not Allocated	8,948,635
Liability for Benefits for Employees and Agents if Not Included Above	84,863,711
Miscellaneous Liabilities:	
Asset Valuation Reserve	32,300,000
Payable for Securities	5,000,000
Aggregate Write-Ins for Liabilities From Separate Accounts Statement	(12,648,128) 431,200,706
TOTAL LIABILITIES	\$ 3,139,087,616
Common Capital Stock	23,120,850
Gross Paid In and Contributed Surplus	41,025,001
Unassigned Funds (Surplus)	437,959,889
Less Treasury Stock, at Cost:	
8,813,266.000 Shares Common	241,301,378
TOTAL CAPITAL AND SURPLUS	\$ 260,804,362
TOTAL LIABILITIES AND SURPLUS	\$ 3,399,891,978

SUMMARY OF OPERATIONS

For the Year Ended December 31, 2019

Premiums and Annuity Considerations for Life and Accident and Health Contracts	\$ 286,786,527
Considerations for Supplementary Contracts with Life Contingencies	17,331,155
Net Investment Income	132,676,277
Amortization of Interest Maintenance Reserve	2,329,391
Commissions and Expense Allowances on Reinsurance Ceded	7,940,899
Miscellaneous Income:	
Income from Fees Associated with Investment Management, Administration, and Contract Guarantees from Separate Accounts	24,895,173
Charges and Fees for Deposit-Type Contracts	2,296
Aggregate Write-Ins for Miscellaneous Income	2,230,617
Total Revenue	\$ 474,192,334
Death Benefits	78,672,491
Matured Endowments	1,337,736
Annuity Benefits	180,613,684
Disability Benefits and Benefits Under Accident and Health Contracts	28,850,551
Coupons, Guaranteed Annual Pure Endowments, and Similar Benefits	19,946
Surrender Benefits and Withdrawals for Life Contracts	50,040,575
Interest and Adjustments on Contract or Deposit-Type Contract Funds	4,371,065
Payments on Supplementary Contracts with Life Contingencies	17,910,361
Increase in Aggregate Reserves for Life and Accident and Health Contracts	4,228,643
Commissions on Premiums, Annuity Considerations, and Deposit-Type Contract Funds	33,186,615
Commissions and Expense Allowances on Reinsurance Assumed	102,790
General Insurance Expenses	79,298,976
Insurance Taxes, License, and Fees, Excluding Federal Income Taxes	8,514,844
Increase in Loading on Deferred and Uncollected Premiums	771,035
Net Transfers To or (From) Separate Accounts Net of Reinsurance	(25,921,712)
Aggregate Write-Ins for Deductions	4,478,332
Total Underwriting Deductions	\$ 466,475,933
Net Gain (Loss) From Operations Before Dividends to Policyholders and Federal Income Taxes	\$ 7,716,402
Dividends to Policyholders	2,128,856
Federal and Foreign Income Taxes Incurred	(377,191)
Net Realized Capital Gains (Losses)	964,428
NET INCOME (LOSS)	\$ 6,929,164

RECONCILIATION OF CAPITAL AND SURPLUS
 Changes from January 1, 2015 to December 31, 2019

(\$000's omitted)

	2015	2016	2017	2018	2019
Capital and Surplus, Beginning of Year	\$ 338,422	\$ 297,612	\$ 323,304	\$ 307,501	\$ 278,157
Net Income (Loss)	29,149	12,457	15,977	15,510	6,929
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	(3,110)	6,984	(10,152)	(8,536)	(4,902)
Change in Net Deferred Income Tax	(1,861)	(7,346)	(25,063)	4,804	2,964
Change in Nonadmitted Assets	4,951	5,803	4,172	(28,005)	(11,733)
Change in Reserve on Account of Change in Valuation Basis (Increase) or Decrease	(424)	817	169	219	(352)
Change in Asset Valuation Reserve	1,900	(4,600)	(800)	4,600	(3,500)
Change in Treasury Stock	(58,384)				
Cumulative Effect of Changes in Accounting Principles	-	2,177	-	-	-
Surplus Adjustments:					
Paid In	18	-	-	-	-
Dividends to Stockholders	(11,539)	(10,458)	(10,458)	(10,458)	(10,458)
Aggregate Write-Ins for Gains and Losses in Surplus	(1,509)	19,858	10,353	(7,477)	3,699
Net Change in Capital and Surplus	(40,810)	25,692	(15,803)	(29,343)	(17,353)
Capital and Surplus, End of Year	\$ 297,612	\$ 323,304	\$ 307,501	\$ 278,157	\$ 260,804

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

On March 11, 2020, The World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, United States (U.S.) President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the United States and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators with the assistance of the NAIC are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Kansas City Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Marc Peterson, CFE, Anna Duncan, Kim Waller, Alicia Galm, AFE, Ronald Musopole, CFE, and Kim Dobbs, CFE, AES, CISA, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of Jackson)

I, Sara McNeely, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of KC Life, its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from the facts.



Sara McNeely, CFE
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 13th day of November, 2020.

My commission expires: 02/12/2023 

Notary Public

**RAMESHIA M. LUNN
NOTARY PUBLIC-NOTARY SEAL
STATE OF MISSOURI
JACKSON COUNTY
MY COMMISSION EXPIRES 2/12/2023
COMMISSION # 19079686**

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Shannon Schmoeger, CFE, ARe
Chief Financial Examiner
Missouri Department of Commerce and
Insurance