

KANSAS CITY LIFE INSURANCE CO  
Form 8-K  
March 11, 2009

**United States  
Securities and Exchange Commission  
Washington, D. C. 20549**

**Form 8-K**

**Current Report**

**Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): March 11, 2009**

**Kansas City Life Insurance Company**  
(Exact Name of Registrant as Specified in Charter)

**Missouri**  
(State of Incorporation)

**2-40764**  
(Commission File Number)

**44-0308260**  
(IRS Employer Identification No.)

**3520 Broadway**  
**Kansas City, Missouri**  
(Address of Principal Executive Offices)

**64111-2565**  
(Zip Code)

**Telephone Number: (816) 753-7000**

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



**Item 2.02 – Results of Operations and Financial Condition.**

Included below is a release of financial information mailed to stockholders on March 11, 2009. It reflects the financial condition, in a condensed format, for Kansas City Life Insurance Company as of December 31, 2008, and was previously included in the Company's fourth quarter Form 10-K report filed on February 27, 2009.

**Message from the President, CEO and Chairman of the Board**

Kansas City Life Insurance Company recorded a net loss of \$17.1 million or \$1.47 per share for the year ended December 31, 2008, compared with net income of \$35.7 million or \$3.01 per share for the prior year. The decline in earnings for the year was largely the result of realized losses on investments. Excluding the impact of realized gains and losses on investments, net earnings after tax were \$16.9 million, compared with \$32.1 million a year ago.

Results in the fourth quarter were consistent with those for the year, as the Company experienced a net loss of \$7.2 million or \$0.62 per share. This compares to net income of \$6.4 million or \$0.54 per share in the fourth quarter of 2007.

The net realized loss for both the year and quarter was the result of the continued deep economic recession. The impact of the recession has been felt across all sectors and has negatively affected values of virtually all financial assets. The Company incurred net realized investment losses after taxes of \$34.0 million for the year, including \$9.5 million in the fourth quarter, primarily due to write-downs of securities determined to be other-than-temporarily impaired. The economic downturn has also affected net investment income through reduced yields and a lower amount of invested assets. As a result, net investment income declined \$13.0 million for the year compared with 2007. In spite of the economic environment, the Company continues to maintain a strong capital position and a well diversified investment portfolio. The Company had 96% of its fixed maturity security holdings in investment grade securities at December 31, 2008, up from 94% at December 31, 2007, and approximately one-third of these investments were in AAA rated investments as of both dates.

Total insurance revenues increased 2% for the year, largely due to a 3% increase in premiums. New premiums increased 20% for the year, led by a 55% increase in the sale of immediate annuities and a 37% increase in group life insurance sales. New individual life premiums increased 5% while group accident and health premiums increased 9%. However, contract charges declined 2%, primarily due to lower balances of certain products. New deposits declined 1% compared with an 8% increase a year earlier. This decline largely occurred in the variable life and annuity products, where consumers were affected by the negative performance in the equity markets during the year. New deposits for variable life products declined 22% and new variable annuity deposits declined 13% versus the prior year. However, deposits related to universal life were flat relative to 2007 and fixed deferred annuities increased 15%. Renewal premiums declined 1% and renewal deposits declined 4% versus the prior year.

Total benefits and expenses increased 4% in 2008 compared with 2007, primarily due to a \$4.4 million increase in death benefits, a \$1.8 million increase in the amortization of deferred acquisition costs and value of business acquired and a \$4.5 million increase in operating expenses. Mortality experience deteriorated during the year but remained within pricing expectations. The amortization of deferred acquisition costs increased, primarily reflecting a reduction of variable account balances due to policyholder withdrawals and a decline in the market value of these account balances. Operating expenses increased in 2008, primarily due to increases in employee medical plan and benefit costs combined with a reduction in employee benefit plan accruals in 2007.

On January 26, 2009, the Kansas City Life Board of Directors declared a quarterly dividend of \$0.27 per share that was paid on February 10, 2009 to stockholders of record as of February 5, 2009.

The steep economic downturn has dramatically changed the landscape for many individuals and families, demonstrating the potential impact of unexpected and unforeseen events. Kansas City Life's mission is to ensure that individuals and families are prepared and protected against many of the unpredictable elements of life. Life insurance and its unique attributes offer immediate peace of mind, and the power of its protection has been proven repeatedly throughout history. In these uncertain economic times, the Company's field force representatives, comprised of general agents and agents, have been challenged to help their clients and prospective clients fully understand just how important Security Assured can be.

Despite the economic situation, Kansas City Life is prepared to provide quality financial products and services to prospective policyholders and to fulfill its commitment to all of those who already have come to entrust the Company to provide for their future needs. The Company has no long-term debt, a strong capital position and a well diversified investment portfolio. Kansas City Life's dependability has been documented and tested throughout the past 113 years, and the Company remains committed to provide Security Assured for future generations.

**Consolidated  
Balance Sheets  
(Thousands)**

|  | <b>December 31<br/><u>2008</u></b> | <b>December 31<br/><u>2007</u></b> |
|--|------------------------------------|------------------------------------|
| <b>Assets</b>  |                                    |                                    |
| Investments:   |                                    |                                    |
| Fixed maturity securities available<br>for sale, at fair value | \$ 2,342,873                       | \$ 2,631,073                       |
| Equity securities available<br>for sale, at fair value         | 44,537                             | 59,149                             |
| Mortgage loans   | 445,389                            | 450,148                            |
| Short-term investments   | 35,138                             | 36,522                             |
| Other investments  | 187,880                            | 188,852                            |
| Total investments  | 3,055,817                          | 3,365,744                          |
| Cash   | 9,720                              | 12,158                             |
| Deferred acquisition costs                                     | 263,756                            | 217,512                            |
| Value of business acquired                                     | 82,855                             | 73,517                             |
| Income taxes   | 39,628                             | —                                  |
| Other assets   | 256,750                            | 262,784                            |
| Separate account assets  | 258,565                            | 420,393                            |
| Total assets   | \$ 3,967,091                       | \$ 4,352,108                       |
| <b>Liabilities</b>   |                                    |                                    |
| Future policy benefits   | \$ 853,456                         | \$ 851,823                         |
| Policyholder account balances                                  | 2,030,656                          | 2,087,419                          |
| Notes payable  | 2,900                              | 10,400                             |
| Income taxes   | —                                  | 40,300                             |
| Other liabilities  | 294,407                            | 257,372                            |
| Separate account liabilities                                   | 258,565                            | 420,393                            |
| Total liabilities  | 3,439,984                          | 3,667,707                          |
| <b>Stockholders' equity</b>                                    |                                    |                                    |
| Common stock   | 23,121                             | 23,121                             |
| Additional paid in capital                                     | 36,281                             | 30,244                             |
| Retained earnings  | 750,600                            | 780,133                            |
| Accumulated other<br>comprehensive loss                        | (130,799)                          | (19,811)                           |
| Treasury stock   | (152,096)                          | (129,286)                          |
| Total stockholders' equity                                     | 527,107                            | 684,401                            |
| Total liabilities and equity                                   | \$ 3,967,091                       | \$ 4,352,108                       |

**Consolidated**  
**Statements of Income**  
*(Thousands, except share data)*

|  | <b>Quarter ended<br/>December 31</b> |                    | <b>Year ended<br/>December 31</b> |                    |
|--|--------------------------------------|--------------------|-----------------------------------|--------------------|
|  | <b><u>2008</u></b>                   | <b><u>2007</u></b> | <b><u>2008</u></b>                | <b><u>2007</u></b> |
| <b>Revenues</b>  |                                      |                    |                                   |                    |
| Insurance revenues:  |                                      |                    |                                   |                    |
| Premiums   | \$ 45,972                            | \$ 44,436          | \$ 180,782                        | \$ 175,460         |
| Contract charges   | 27,953                               | 28,184             | 109,007                           | 111,422            |
| Reinsurance ceded  | (14,131)                             | (14,456)           | (53,616)                          | (54,988)           |
| Total insurance revenues   | 59,794                               | 58,164             | 236,173                           | 231,894            |
| Investment revenues:   |                                      |                    |                                   |                    |
| Net investment income  | 41,003                               | 47,781             | 177,419                           | 190,405            |
| Realized investment gains (losses)   | (14,687)                             | (1,075)            | (52,271)                          | 5,426              |
| Other revenues   | 3,516                                | 2,651              | 13,005                            | 11,499             |
| Total revenues   | 89,626                               | 107,521            | 374,326                           | 439,224            |
| <b>Benefits and expenses</b>   |                                      |                    |                                   |                    |
| Policyholder benefits  | 43,894                               | 39,823             | 178,749                           | 166,458            |
| Interest credited to policyholder<br>account balances                            | 21,780                               | 23,096             | 86,899                            | 91,215             |
| Amortization of deferred<br>acquisition costs<br>and value of business acquired  | 12,620                               | 10,873             | 42,084                            | 40,333             |
| Operating expenses   | 21,966                               | 22,543             | 92,808                            | 88,307             |
| Total benefits and expenses  | 100,260                              | 96,335             | 400,540                           | 386,313            |
| Income (loss) before income tax<br>expense (benefit)                             | (10,634)                             | 11,186             | (26,214)                          | 52,911             |
| Income tax expense (benefit)   | (3,483)                              | 4,774              | (9,164)                           | 17,250             |
| <b>Net income (loss)</b>   | <b>\$ (7,151)</b>                    | <b>\$ 6,412</b>    | <b>\$ (17,050)</b>                | <b>\$ 35,661</b>   |
| Other comprehensive income<br>(loss), net of taxes:                              |                                      |                    |                                   |                    |
| Change in net unrealized gains and<br>losses on<br>securities available for sale | \$ (16,157)                          | \$ 16,991          | \$ (89,921)                       | \$ 6,396           |
| Change in minimum pension<br>liability   | (21,067)                             | (1,089)            | (21,067)                          | (1,089)            |
| Other comprehensive income (loss)  | (37,224)                             | 15,902             | (110,988)                         | 5,307              |
| Comprehensive income (loss)  | \$ (44,375)                          | \$ 22,314          | \$ (128,038)                      | \$ 40,968          |
| <b>Per common share:</b>   |                                      |                    |                                   |                    |
| Net income (loss), basic and diluted   | \$ (0.62)                            | \$ 0.54            | \$ (1.47)                         | \$ 3.01            |
| Cash dividends   | \$ 0.27                              | \$ 0.27            | \$ 1.08                           | \$ 3.08            |



**Consolidated  
Statements of Cash Flows  
(Thousands)**

|  | <b>Year ended<br/>December 31</b> |                    |
|--|-----------------------------------|--------------------|
|  | <b><u>2008</u></b>                | <b><u>2007</u></b> |
| <b>Operating activities</b>                                  |                                   |                    |
| Net cash provided  | \$ 12,337                         | \$ 32,897          |
| <b>Investing activities</b>                                  |                                   |                    |
| Purchases of investments:                                    |                                   |                    |
| Fixed maturity securities                                    | (251,136)                         | (313,080)          |
| Equity securities  | (8,300)                           | (15,249)           |
| Mortgage loans   | (49,273)                          | (54,816)           |
| Real estate  | (30,138)                          | (4,507)            |
| Sales of investments:  |                                   |                    |
| Fixed maturity securities                                    | 33,499                            | 168,259            |
| Equity securities  | 8,811                             | 4,583              |
| Real estate  | 30,613                            | 22,457             |
| Other investment assets                                      | 5,883                             | 7,930              |
| Maturities and principal<br>paydowns<br>of investments       | 308,981                           | 259,435            |
| Net dispositions (additions)<br>to<br>property and equipment | 3                                 | (969)              |
| Proceeds from sale of<br>non insurance affiliate             | —                                 | 10,104             |
| Net cash provided  | 48,943                            | 84,147             |
| <b>Financing activities</b>                                  |                                   |                    |
| Proceeds from borrowings                                     | 100,962                           | 122,830            |
| Repayment of borrowings                                      | (108,462)                         | (127,130)          |
| Deposits on policyholder<br>account<br>balances              | 200,465                           | 205,767            |
| Withdrawals from<br>policyholder<br>account balances         | (240,508)                         | (294,799)          |
| Net transfers from separate<br>accounts                      | 8,556                             | 11,706             |
| Change in other deposits                                     | 4,525                             | 13,703             |
| Cash dividends to<br>stockholders                            | (12,483)                          | (36,420)           |
| Net acquisition of treasury<br>stock                         | (16,773)                          | (4,451)            |
| Net cash used  | (63,718)                          | (108,794)          |
| Increase (decrease) in cash                                  | (2,438)                           | 8,250              |
| Cash at beginning of year                                    | 12,158                            | 3,908              |



|                       |    |       |    |        |
|-----------------------|----|-------|----|--------|
| Cash at end of period | \$ | 9,720 | \$ | 12,158 |
|-----------------------|----|-------|----|--------|

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Notes

- Net income per common share was based upon the average number of shares outstanding of 11,446,029 and 11,795,878 for the fourth quarters and 11,566,805 and 11,836,213 for the years ended December 31, 2008 and 2007, respectively.
- Cash dividends include a one-time special dividend of \$2.00 per share, paid on February 13, 2007.
- These financial statements should be read in conjunction with the Company's Form 10-K. Please refer to the Company's Form 10-K as filed with the U.S. Securities and Exchange Commission.
- Certain immaterial amounts in prior years have been reclassified to conform with the current year presentation.



Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KANSAS CITY LIFE INSURANCE COMPANY

(Registrant)

By: /s/ James F. Aldrich

James F. Aldrich,  
Associate General Counsel

March 11, 2009

(Date)