

KANSAS CITY LIFE INSURANCE CO
Form 10-Q
April 29, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2011 or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number 2-40764

KANSAS CITY LIFE INSURANCE COMPANY

(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction of
incorporation or organization)

44-0308260
(I.R.S. Employer
Identification No.)

3520 Broadway, Kansas City, Missouri
(Address of principal executive offices)

64111-2565
(Zip Code)

816-753-7000

Registrant's telephone number, including area code

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x

No ..

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$1.25 par
Class

11,467,319 shares
Outstanding March 31, 2011

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KANSAS CITY LIFE INSURANCE COMPANY

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Amounts in thousands, except share data, or as otherwise noted

Kansas City Life Insurance Company**Consolidated Balance Sheets**

	March 31 2011	December 31 2010
	(Unaudited)	
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value	\$ 2,651,664	\$ 2,648,888
Equity securities available for sale, at fair value	39,179	38,321
Mortgage loans	554,772	559,167
Real estate	121,074	119,909
Policy loans	82,909	84,281
Short-term investments	23,230	15,713
Other investments	4,742	5,009
Total investments	3,477,570	3,471,288
Cash	4,842	5,445
Accrued investment income	39,136	35,742
Deferred acquisition costs	192,475	192,943
Reinsurance receivables	189,343	187,123
Property and equipment	23,374	23,514
Other assets	76,113	78,018
Separate account assets	351,401	339,029
Total assets	\$ 4,354,254	\$ 4,333,102
LIABILITIES		
Future policy benefits	\$ 880,311	\$ 884,380
Policyholder account balances	2,068,609	2,065,878
Policy and contract claims	48,058	43,866
Other policyholder funds	147,069	145,560
Other liabilities	177,530	174,917
Separate account liabilities	351,401	339,029
Total liabilities	3,672,978	3,653,630
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	41,089	41,085

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Retained earnings	768,821	767,126
Accumulated other comprehensive income	7,909	7,807
Treasury stock, at cost (2011 - 7,029,361 shares; 2010 - 7,029,575 shares)	(159,664)	(159,667)
Total stockholders' equity	681,276	679,472
Total liabilities and stockholders' equity	\$ 4,354,254	\$ 4,333,102

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Table of Contents**Kansas City Life Insurance Company****Consolidated Statements of Income**

	Quarter Ended March 31	
	2011	2010
	(Unaudited)	
REVENUES		
Insurance revenues:		
Premiums, net	\$ 33,625	\$ 34,983
Contract charges	26,234	26,674
Total insurance revenues	59,859	61,657
Investment revenues:		
Net investment income	45,391	43,304
Realized investment gains, excluding impairment losses	1,012	1,323
Net impairment losses recognized in earnings:		
Total other-than-temporary impairment losses	(269)	(1,591)
Portion of impairment losses recognized in other comprehensive income	58	5
Net impairment losses recognized in earnings	(211)	(1,586)
Total investment revenues	46,192	43,041
Other revenues	2,408	2,384
Total revenues	108,459	107,082
BENEFITS AND EXPENSES		
Policyholder benefits	45,274	47,786
Interest credited to policyholder account balances	20,481	21,200
Amortization of deferred acquisition costs	9,584	8,947
Operating expenses	25,865	26,182
Total benefits and expenses	101,204	104,115
Income before income tax expense	7,255	2,967
Income tax expense	2,464	2,004
NET INCOME	\$ 4,791	\$ 963
Comprehensive income, net of taxes:		
Change in net unrealized gains on securities available for sale	\$ 102	\$ 15,756
Other comprehensive income	102	15,756
COMPREHENSIVE INCOME	\$ 4,893	\$ 16,719

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Basic and diluted earnings per share:			
Net income	\$	0.42	\$ 0.08

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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Kansas City Life Insurance Company
Consolidated Statement of Stockholders Equity

	Quarter Ended March 31, 2011 (Unaudited)
COMMON STOCK , beginning and end of period	\$ 23,121
ADDITIONAL PAID IN CAPITAL	
Beginning of period	41,085
Excess of proceeds over cost of treasury stock sold	4
End of period	41,089
RETAINED EARNINGS	
Beginning of period	767,126
Net income	4,791
Stockholder dividends of \$0.27 per share	(3,096)
End of period	768,821
ACCUMULATED OTHER COMPREHENSIVE INCOME , net of taxes	
Beginning of period	7,807
Other comprehensive income	102
End of period	7,909
TREASURY STOCK , at cost	
Beginning of period	(159,667)
Cost of 15 shares acquired	-
Cost of 229 shares sold	3
End of period	(159,664)
TOTAL STOCKHOLDERS EQUITY	\$ 681,276

See accompanying Notes to Consolidated Financial Statements (Unaudited)

Table of Contents**Kansas City Life Insurance Company****Consolidated Statements of Cash Flows**

	2011	Quarter Ended March 31 (Unaudited)	2010
OPERATING ACTIVITIES			
Net income	\$ 4,791		\$ 963
Adjustments to reconcile net income to net cash used by operating activities:			
Amortization of investment premium	939		394
Depreciation	645		561
Acquisition costs capitalized	(8,743)		(7,725)
Amortization of deferred acquisition costs	9,584		8,947
Realized investment (gains) losses	(801)		263
Changes in assets and liabilities:			
Reinsurance receivables	(2,220)		(4,008)
Future policy benefits	(2,962)		4,313
Policyholder account balances	(8,329)		(5,724)
Income taxes payable and deferred	1,577		5,846
Other, net	3,992		(3,888)
Net cash used	(1,527)		(58)
INVESTING ACTIVITIES			
Purchases of investments:			
Fixed maturity securities	(78,118)		(108,969)
Equity securities	(1,030)		(475)
Mortgage loans	(15,472)		(6,911)
Real estate	(2,900)		(2,112)
Policy loans	(3,450)		(4,326)
Sales of investments:			
Fixed maturity securities	10,143		12,729
Equity securities	201		-
Net sales (purchases) of short-term investments	(7,517)		31,934 &n