

KANSAS CITY LIFE INSURANCE COMPANY

ANNUAL INFORMATION AND DISCLOSURE STATEMENT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

KANSAS CITY LIFE INSURANCE COMPANY
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Part A - General Company Information

Item 1. The Exact Name of The Issuer

Kansas City Life Insurance Company

Item 2. The Address of The Issuer's Principal Executive Offices

Principal Executive Offices: Kansas City Life Insurance Company

3520 Broadway
Post Office Box 219139
Kansas City, Missouri 64121-9139
Telephone: (816) 753-7000
Fax: (816) 753-4902
Internet: www.kclife.com

Investor Relations: Tracy W. Knapp
Senior Vice President, Finance
Kansas City Life Insurance Company
Post Office Box 219139
Kansas City, Missouri 64121-9139
Telephone: (816) 753-7000 ext. 8216
E-mail: kclife@kclife.com

Item 3. The Jurisdiction and Date of the Issuer's Incorporation

Kansas City Life Insurance Company was incorporated in the State of Missouri in 1895.

Part B - Share Structure

Item 4. The Exact Title and Class of Securities Outstanding

Class: Common Stock
CUSIP: 484836200
Trading Symbol: KCLI

Item 5. Par or Stated Value and Description of the Security

A. Par or Stated Value

The Company's outstanding securities consist solely of common stock, par value \$1.25 per share.

B. Common Stock or Preferred Stock

Common Stock

Stockholders of the Company are entitled to dividends if declared by the Board of Directors. The maximum amount of dividends that can be paid by insurance companies domiciled in the State of Missouri to stockholders without prior approval of the Insurance Commissioner in any consecutive twelve month period is the greater of the statutory gain from operations for the preceding year or 10% of statutory stockholders' equity at the end of the preceding year and stockholder dividends may only be paid from unassigned surplus.

Each share of our common stock entitles the holder thereof to one vote on all matters submitted to a vote of the shareholders, except the election of directors. At all elections of directors, each shareholder is entitled to as many votes as shall equal the number of shares held by such shareholder multiplied by the number of directors to be elected, and such shareholder may cast all such votes for a single director or may distribute them among the number of directors to be voted for as such shareholder may see fit.

Our common stock is not subject to redemption or future calls or assessment by Kansas City Life. Holders of common stock do not have preemptive rights, or rights to convert their common stock into other securities.

In the event of a liquidation, dissolution or winding up of the affairs of Kansas City Life, holders of our common stock have the right to a ratable portion of the assets remaining after the payment of all liabilities. All outstanding shares of our common stock are fully paid and nonassessable.

The provisions of Kansas City Life's articles of incorporation and bylaws that are summarized below may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider to be in such shareholder's best interests, including those attempts that might result in a premium over the market price for the shares held by shareholders:

1. Classification of Board of Directors. Our board of directors is divided into three classes, and our directors are elected by classes to three-year terms. While this provision promotes stability and continuity of the board of directors, classification of the board of directors may also have the effect of decreasing the number of directors that could otherwise be elected at each annual meeting of shareholders.
2. Business Combinations. Kansas City Life's articles of incorporation contain a "fair price" provision which generally requires that certain "business combinations" with a "related person" (generally the beneficial owner of at least 5 percent of Kansas City Life's voting stock) be approved by the holders of at least 66 2/3 percent of Kansas City Life's voting stock, with the 66 2/3 percent vote requirement being calculated by excluding from the voted shares and the number of shares of voting stock outstanding, the voting stock held by such related person, except in specified circumstances.
3. Amendment of Articles. The amendment of the articles of incorporation of Kansas City Life requires the affirmative vote of the holders of more than 66 2/3 percent of the shares of capital stock of Kansas City Life voting on such

question but in no event may the articles be amended by a vote of less than a majority of all of the shares of capital stock of Kansas City Life entitled to vote on said question.

Preferred Stock

The Company had no preferred stock authorized or outstanding at December 31, 2015.

Item 6. The Number of Shares or Total Amount of the Securities Outstanding for Each Class of Securities Authorized

Common Stock

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Number of Shares Authorized	36,000,000	36,000,000
Number of Shares Outstanding	9,683,660	10,825,205
Freely Tradable Shares (Public Float)	2,604,161	3,745,706
Total Number of Shareholders of Record	215	488

The Company has more than 100 beneficial shareholders of record owning at least 100 shares.

Item 7. The Name and Address of the Transfer Agent

Kansas City Life Insurance Company is registered as a transfer agent under the Exchange Act and acts as its own transfer agent.

Janice Poe, Stock Agent and Assistant Secretary
Kansas City Life Insurance Company
3950 Broadway
Kansas City, MO 64111
816-753-7000 ext. 8857
janice.poe@kclife.com

Part C - Business Information

Item 8. The Nature of the Issuer's Business

A. Business Development

1. The form of organization of the issuer.

We are a Missouri corporation.

2. The year that the issuer (or any predecessor) was organized.

We were organized in 1895.

3. The issuer's fiscal year end date.

Our fiscal year end date is December 31.

4. Whether the issuer (or any predecessor) has been in bankruptcy, receivership or any similar proceeding.

We have not been in any bankruptcy, receivership, or any similar proceeding.

5. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets.

In 2014, we entered into a transaction with Securities America Financial Corporation under which certain assets of Sunset Financial Services ("SFS"), our wholly-owned subsidiary broker-dealer, were transferred to Securities America. Under this agreement, certain representative agreements were transferred to Securities America along with

the accounts serviced by those representatives. SFS continue to support the distribution of our proprietary products and to service those proprietary variable product accounts not transferred to Securities America.

In 2013, we acquired a block of variable universal life insurance policies and variable annuity contracts from American Family Insurance Company. The transfer was comprised of a 100% modified coinsurance transaction for the separate account business and a 100% coinsurance transaction for the corresponding fixed account business. Included in the transaction are ongoing servicing arrangements for this business.

6. Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments.

We have not had any default of the terms of any note, loan, lease, or indebtedness or financing arrangement.

7. Any change of control.

We have not had a change in control.

8. Any increase of 10% or more of the same class of outstanding equity securities.

There has been no increase in any class of outstanding equity securities.

9. Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.

On December 16, 2015, we completed a 1-250 reverse stock split followed immediately by a 250-1 forward stock split. The purpose of the transaction was to reduce the number of holders of record to permit us to delist our common stock from NASDAQ and deregister from the Securities and Exchange Commission.

10. Any delisting of the issuer's securities by any securities exchange or deletion from the OTC Bulletin Board.

We voluntarily terminated our listing with NASDAQ during 2015 and began trading on the OTCQX Marketplace on January 4, 2016.

11. Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.

Please see the section entitled "Contingent Liabilities" in Note 21 of our audited financial statements.

B. Business of Issuer

1. The issuer's primary and secondary SIC Codes.

Our primary SIC Code is 6311.

2. If the issuer has never conducted operations, is in the development stage, or is currently conducting operations.

We are currently conducting operations.

3. Whether the issuer has at any time been a "shell company."

We are not, and never have been, a shell company.

4. The names of any parent, subsidiary, or affiliate of the issuer, and its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this disclosure statement.

Kansas City Life Insurance Company has two wholly-owned insurance subsidiaries, Sunset Life Insurance Company of America (“Sunset Life”) and Old American Insurance Company (“Old American”), and one wholly-owned registered broker-dealer subsidiary, Sunset Financial Services (“SFS”). We also have several non-insurance subsidiaries that individually and collectively are not material. These entities are included in the financial statements attached to this disclosure statement.

Old American is a Missouri life insurance company offering products in the final expense market. It distributes its products through an independent general agent distribution system. Sunset Life is a Missouri life insurance company managing a closed block of life insurance and annuity business, but is not currently offering products for sale. SFS is a Washington corporation, responsible for the distribution and marketing of Kansas City Life’s proprietary variable life and variable annuity products through third-party broker-dealers.

5. The effect of existing or probable governmental regulations on the business.

We are subject to state regulations in Missouri, our state of domicile and in the states in which we do business. Although the federal government generally does not regulate the business of insurance, federal initiatives such as the taxation of insurance companies and the tax treatment of insurance products along with activities of the Federal Insurance Office (“FIO”) can have an impact on the business in a variety of ways. SFS is a registered broker-dealer, which is regulated by the Financial Industry Regulatory Authority (“FINRA”) and the SEC.

State Regulation

Our life insurance entities are subject to periodic examinations by state regulatory authorities, and our financial statements are prepared and examined on the basis of statutory accounting principles. The most recently completed examination performed by the State of Missouri occurred as of December 31, 2009 for Kansas City Life, Sunset Life, and Old American. No adjustments were recommended to any of the insurance companies as a result of that examination. The State of Missouri is currently conducting a scheduled examination based upon the year ended December 31, 2014 for Kansas City Life, Sunset Life, and Old American.

The National Association of Insurance Commissioners (“NAIC”) has received regulatory authority from the respective state departments of insurance to establish more consistency for insurers with regard to financial reporting requirements. NAIC has adopted risk-based capital guidelines to assist in the identification of deteriorating or weakly capitalized insurance companies for the purpose of initiating regulatory action. At December 31, 2015 and 2014, the statutory capital and surplus of each of our insurance entities was substantially above the required levels.

We and our insurance subsidiaries have received inquiries from a number of state regulatory authorities regarding its use of the U.S. Social Security Administration's Death Master File (“Death Master File”) and our compliance with state unclaimed property and escheatment laws. Certain states have proposed, and many other states are considering, new legislation and regulations related to unclaimed life insurance benefits and the use of the Death Master File in the claims process. Given the legal and regulatory uncertainty in this area, it is also possible that life insurers, including us, may be subject to claims concerning their business practices.

Federal Regulation

The federal government generally does not directly regulate the business of insurance. An exception is the Federal Reserve's ability to regulate certain life insurance companies affiliated with savings bank organizations and those life insurers deemed to be systematically important financial institutions. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act may enhance and expand the federal government’s role in insurance company regulation, including the formation and activities of the Federal Insurance Office.

Importantly, however, the federal government does regulate the environment in which insurance products are sold. For example, pension regulations and other qualified retirement plan regulations such as 401(k) plans, impact the sale of our insurance products sold into those accounts. Health care laws passed at the federal level can also impact the group sales division based on the products we sell. The internal revenue code, both in its role of taxing life insurance companies under the life insurance company provisions of the Internal Revenue Code of 1986, as amended (the Code), and in the taxation of insurance and investment products held by our consumers, are also important factors in our success.

The Department of Labor is currently considering a rule that broadens the fiduciary duty rule under the Employee Retirement Income Security Act of 1974 (“ERISA”) to include individual retirement accounts. Drafts of the rule included changes in disclosure and possibly methods of compensation for such accounts. The adoption of that standard could impact the distribution of our products in that market.

6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities are borne directly by customers.

We have not spent any material amounts during the last two fiscal years on research and development activities.

7. Costs and effects of compliance with environmental laws (federal, state and local).

Based on our environmental assessments, we believe that any compliance costs associated with environmental laws and regulations or any remediation of affected properties are not material, and that any future compliance costs would not have a material adverse effect on our business, financial position, results of operations, or cash flows.

8. The number of total employees and number of full time employees.

At December 31, 2015, the Company had 441 employees, 433 of which were full time.

Item 9. The Nature of Products or Services Offered

A. Principal products or services, and their markets.

We offer individual life, annuity and group products and variable life, variable annuities, mutual funds and other investment options.

We offer interest sensitive products that include an array of universal life, variable universal life, fixed deferred annuities, and variable annuities. Universal life products have the ability to deliver flexibility in coverage and competitive long-term cash values or premiums that guarantee coverage for a desired period or through the insured's lifetime. Variable universal life products combine the advantages of a range of investment options with life insurance.

We offer multiple fixed deferred annuity products. We also offer variable annuity products which allow the policyholder options that include either single or flexible premium contracts combined with the advantages of a range of investment options and the advantages of an annuity.

We offer traditional immediate annuity products with a broad variety of payout options, including guaranteed specified amounts and life contingencies. A variety of immediate annuity options are offered, in association with policy and contract holder benefit options, as well as new product sales.

We offer traditional whole life products, including products geared towards juveniles that offer additional coverage as the child ages, and term life insurance products for a wide range of ages and coverage.

Selected riders are also available for added coverage and protection in both the individual life insurance products and annuity products.

We offer multiple group insurance products primarily to small and medium size employers, consisting of group life, long-term and short-term disability, dental, and vision products both on an employer-paid basis and voluntary employee-paid basis. These group products are underwritten and designed to meet the needs of employers and employees based on factors such as employer contribution toward cost of coverage, number of employees, benefits desired versus product cost, and plan design features. Group life insurance plans include flexible plan designs, such as accidental death and dismemberment coverage, waiver of premium coverage, and policy conversion and portability privileges. Disability plans are designed based on factors including benefit period and maximum benefits. Dental plans are designed based on factors including coinsurance percentages and plan maximums.

We have closed blocks of business that are primarily from three sources. First, we have sizeable blocks of business obtained through the acquisition of certain companies. Second, we have entered into reinsurance assumption transactions. The third source results from when we determine that we no longer intend to actively market selected products or to remain active in certain markets. These closed blocks of business decline in premiums, deposits, and insurance in force over time.

B. Distribution methods of the products or services.

Individual life insurance and annuity products offered by Kansas City Life and Sunset Life are marketed through a nationwide sales force of independent general agents, agents, and third-party marketing arrangements. These general agents and agents are contracted individually and are not exclusive with us. We do not restrict general agents or agents to designated sales territories. In addition, we have identified selected occasions to use additional third-party arrangements for product specific or market niche sales opportunities.

Old American products are marketed through a nationwide general agency sales force with exclusive territories, using direct response marketing to supply agents with leads. We manage the territories based upon production and directly support and subsidize general agent managers and agents with marketing leads and allowances based upon sales results.

We use two approaches to market our group products. The first is to market business using our internal sales representatives and an independent general agent and agent field force. This business is administered internally. The second is through selectively identified independent third-party arrangements. Generally, business sold through these arrangements is administered by the third parties or through specifically-identified reinsurance arrangements.

C. Status of any publicly announced new product or service.

We have not publicly announced any new product or service.

D. Competitive business conditions, the issuer's competitive position in the industry, and methods of competition.

We operate in the life insurance sector of the financial services industry in the United States, which is highly competitive with respect to products, pricing, selection of products, and quality of service. Many of our competitors are considerably larger and may have substantially greater financial resources, higher ratings from rating agencies, broader and more diversified product lines, and more agency relationships.

Our insurance products compete with a wide variety of other products, including products from other insurance companies, financial intermediaries, and other institutions. In addition, competition arises from a number of features, including crediting rates, policy terms and conditions, service provided to distribution channels and policyholders, ratings reputation, and agent compensation. Insurance products also compete with products offered from mutual funds; traditional bank investments; and other investment and retirement funding alternatives offered by asset managers, banks, and broker-dealers.

E. Sources and availability of raw materials and the names of principal suppliers.

We do not use raw materials.

F. Dependence on one or a few major customers.

We do not have dependence on one or a few major customers.

G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration.

The Company maintains trademarks related to our corporate names, logos and products. We do not have any patents, licenses, franchises, concessions, royalty agreements, or labor contracts.

H. The need for any government approval of principal products or services and the status of any requested government approvals.

Insurance products are required to be reviewed and approved by insurance regulators in the various states in which we conduct business. Variations on certain products may occur on a state-by-state basis based on the laws or regulations of a given state. Some products may not be available in all state in which we conduct business. We must also file certain marketing materials, including illustrations showing our product performance. We do seek to add new products and/or product riders to our product portfolio, but the Company is not currently awaiting any approval that materially impacts our ability to conduct business.

Item 10. The Nature and Extent of the Issuer's Facilities

Our home office is located at 3520 Broadway in Kansas City, Missouri. We own and wholly occupy two five-story buildings consisting of approximately 236,000 square feet on an eight-acre site.

Part D - Management Structure and Financial Information

Item 11. The Name of the Chief Executive Officer, Members of the Board of Directors, as well as Control Persons

A. Officers and Directors

R. Philip Bixby (Age 62) Member of the: <ul style="list-style-type: none"> • Executive Committee (Chairman) • Nominating Committee (Chairman) 	<u>President, CEO and Chairman of the Board, Director</u> <u>Business Experience:</u> Mr. Bixby is President, CEO and Chairman of the Board. He was elected Assistant Secretary in 1979; Assistant Vice President in 1982; Vice President in 1984; Senior Vice President, Operations in 1990; Executive Vice President in 1996; President and CEO in April 1998, Vice Chairman of the Board in January 2000 and Chairman of the Board in 2005. <u>Other Current Board Positions:</u> Chairman and President of Sunset Life Insurance Company of America, Chairman of Old American Insurance Company and Chairman of Sunset Financial Services, Inc. (all subsidiaries).
Kevin G. Barth (Age 55) Member of the: <ul style="list-style-type: none"> • Compensation Committee 	<u>Director</u> <u>Business Experience:</u> Mr. Barth has served as President, COO and Senior Lender for Commerce Bank, Kansas City, since April 2000. He is a member of the Executive Committee and is Executive Vice President of Commerce Bancshares, NA. <u>Other Current Board Positions:</u> The Economic Development Corporation of Kansas City, Hodgdon Powder Company, Cereal Food Processors Inc., and the Center For Practical Bio-Ethics.
Walter E. Bixby (Age 57) Member of the: <ul style="list-style-type: none"> • Executive Committee • Nominating Committee 	<u>Executive Vice President and Vice Chairman of the Board, Director</u> <u>Business Experience:</u> Mr. Bixby is Executive Vice President and Vice Chairman of the Board. He was elected Assistant Vice President of the Company in 1985; Vice President, Marketing in 1990; Vice President, Marketing Operations in 1992 and President of Old American Insurance Company, a subsidiary, in 1996. <u>Other Current Board Positions:</u> Sunset Life Insurance Company of America, Old American Insurance Company and Sunset Financial Services, Inc. (all subsidiaries).
William R. Blessing (Age 60) Member of the: <ul style="list-style-type: none"> • Compensation Committee • Executive Committee 	<u>Director</u> <u>Business Experience:</u> Mr. Blessing retired as Senior Vice President, Corporate Strategy and Development, Embarq, a position he held since the company became independent in 2006. He had held similar duties with Sprint and related entities in various capacities since 1981. Mr. Blessing is a National Association of Corporate Directors (NACD) Board Leadership Fellow.
Michael Braude (Age 79) Member of the: <ul style="list-style-type: none"> • Compensation Committee (Chairman) • Nominating Committee 	<u>Director</u> <u>Business Experience:</u> From 1984 to 2000, he was President and CEO of the Kansas City Board of Trade. He is a past chairman of the National Grain Trade Council. He is a former Trustee of the Kansas Public Employees Retirement Fund, and a Trustee of Midwest Research Institute. He is a former weekly, and now contributing columnist for the Kansas City Business Journal. Mr. Braude was employed by the Company in the early 1960's as a sales trainee. <u>Other Current Board Positions:</u> Kansas City Board of Trade, Midwest Trust Co., M.G.P. Ingredients, Inc., and Hodgson Company.

James T. Carr (Age 49)	Director <u>Business Experience:</u> Mr. Carr is the President and Chief Executive Officer of the National Association of Intercollegiate Athletics, and has served in that position since September 2006. Mr. Carr joined the NAIA in 1998 as managing director and general counsel and became chief operating officer and general counsel in 2000. <u>Other Current Board Positions:</u> The <i>Champions of Character</i> Foundation, Missouri Bank and Trust, USA Basketball, Baptist-Trinity Lutheran Legacy Foundation and the Police Athletic League. .
John C. Cozad (Age 71)	Director <u>Business Experience:</u> Mr. Cozad is President of Cozad Company, LLC, a government relations company in Platte City, Missouri. He was previously a partner at Stinson Leonard Street, a Kansas City law firm. He appears as an on-air commentator on Kansas City Public Television, has previously served on the Missouri Highways and Transportation Commission as Chairman and as a curator on the University of Missouri Board of Curators. <u>Other Current Board Positions:</u> Heartland Christian College and United For Missouri. .
Richard L. Finn (Age 74) Member of the: <ul style="list-style-type: none"> • Audit Committee • Executive Committee 	Director <u>Business Experience:</u> Mr. Finn was elected Vice President of the Company in 1976, Financial Vice President in 1983, and Senior Vice President, Finance in 1984, a position he held until he retired in January 2002. He previously served as a Director of the Company from 1983 to 2002. .
Nancy Bixby Hudson (Age 63)	Director <u>Business Experience:</u> Rancher and Investor. <u>Other Current Board Positions:</u> Sunset Life Insurance Company of America and Old American Insurance Company (both subsidiaries).
Tracy W. Knapp (Age 53) Member of the: <ul style="list-style-type: none"> • Executive Committee 	Senior Vice President, Finance and Chief Financial Officer, Director <u>Business Experience:</u> Mr. Knapp is Senior Vice President, Finance and Chief Financial Officer. He joined the Company in 1998 and was responsible for developing a banking subsidiary. Mr. Knapp was elected President and CEO of Generations Bank when it was chartered in July 2000. From 1991 to 1998, he held several positions with U.S. Credit Union including Vice President, Finance and Controller. <u>Other Current Board Positions:</u> Sunset Life Insurance Company of America, Old American Insurance Company, and Sunset Financial Services, Inc. (all subsidiaries).
David S. Kimmel (Age 53) Member of the: <ul style="list-style-type: none"> • Audit Committee 	Director <u>Business Experience:</u> Mr. Kimmel is CEO and Board Member of CyberRiskPartners, LLC, a privately held cyber risk analytics and risk management company. Prior to CyberRiskPartners, he was the Founder and Managing Partner of Summit Capital LLC, providing strategic, financial and capital raising advisory services for senior management and boards of directors. Mr. Kimmel previously worked in investment banking for the insurance industry with Deutsche Bank Securities and J.P. Morgan Securities, where he held various senior positions, including Managing Director and Insurance Investment Banking Group Head at both firms. <u>Other Current Board Positions:</u> CyberRiskPartners, LLC

Cecil R. Miller (Age 82) Member of the: • Audit Committee (Chairman)	<u>Director</u> <u>Business Experience:</u> Mr. Miller is a retired former partner of KPMG LLP (formerly Peat, Marwick, Mitchell & Co.) He joined KPMG LLP in 1957 and became an audit partner in 1967 specializing in insurance and agribusiness. He retired in 1990.
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Mark A. Milton (Age 57)	<u>Director</u> <u>Business Experience:</u> Mr. Milton is Senior Vice President and Actuary of the Company. He was elected Assistant Actuary in 1984; Assistant Vice President, Associate Actuary in 1987; Vice President, Associate Actuary in 1989; Vice President and Actuary in 2000 and to his present position in 2001. <u>Other Current Board Positions:</u> Director of Sunset Life Insurance Company of America, Director of Old American Insurance Company, and Director of Sunset Financial Services, Inc. (all subsidiaries).
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William A. Schalekamp (Age 71) Member of the: • Executive Committee	<u>Director</u> <u>Business Experience:</u> Mr. Schalekamp retired from his position as Senior Vice President, General Counsel and Secretary of the Company on October 31, 2010. He was elected Assistant Counsel in 1973; Associate Counsel in 1975; Assistant General Counsel in 1980; Associate General Counsel in 1984; Vice President and Chief Compliance Officer/Associate General Counsel in January 2002, and to his last position in April 2002.
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The business address of our directors and executive officers is 3520 Broadway, Kansas City, Missouri 64121-9139.

2015 Compensation of Executive Officers

<u>Name and Principal Position</u>	<u>Salary</u>	<u>Directors Fees</u>
R. Philip Bixby President, CEO and Chairman of the Board	\$ 801,720 ¹	\$ 9,000 ²
Walter E. Bixby Executive Vice President and Vice Chairman of the Board	\$ 357,888 ¹	\$ 9,000 ²
Tracy W. Knapp Senior Vice President, Finance	\$ 331,584 ¹	\$ 9,000 ²

¹ In addition to salary, our executive officers participate in the Company's Omnibus Incentive Plan (OIP) that may provide a payment if certain measures are achieved. The OIP provides Long Term Incentive (LTI) benefits based on a Phantom Stock Option measure and Annual Incentive (AI) benefits based on corporate and individual goals. The LTI provisions apply only to senior officers, while the AI provisions apply to a broad range of management employees. Based on 2015 plan results, we paid an aggregate amount of \$1,674,328 to all participants in the LTI portion of the plan and \$1,674,328 to all qualifying participants in the AI portion. While the LTI Phantom Stock Option measure is equity-based, all compensation paid to employees and directors of the Company is in the form of cash.

² Includes \$3,000 in Director's Fees from the Company's subsidiaries.

2015 Director Compensation

We pay directors who are not employees of the Company an annual fee of \$20,000, payable quarterly, plus a \$2,500 attendance fee per quarterly meeting and a \$2,000 attendance fee per special meeting.

The tables below set forth a summary of director compensation for the fiscal year ending December 31, 2015.

Director	Board Cash Fees	Committee Fees	All Other Compensation	Total Compensation
Kevin G. Barth	\$ 32,000	\$ 2,250	\$ -	\$ 34,250
William R. Blessing	\$ 34,000	\$ 17,250	\$ -	\$ 51,250
Nancy Bixby Hudson	\$ 34,000	\$ -	\$ 6,000	\$ 40,000
Michael Braude	\$ 34,000	\$ 3,000	\$ -	\$ 37,000
James T. Carr	\$ 34,000	\$ -	\$ -	\$ 34,000
John C. Cozad	\$ 34,000	\$ -	\$ -	\$ 34,000
Richard Finn	\$ 34,000	\$ 20,000	\$ -	\$ 54,000
David S. Kimmel	\$ 34,000	\$ 5,000	\$ -	\$ 39,000
Cecil R. Miller	\$ 34,000	\$ 10,000	\$ -	\$ 44,000
William A. Schalekamp	\$ 34,000	\$ 15,000	\$ -	\$ 49,000

We pay directors who are employees of the Company (R. Philip Bixby, Walter E. Bixby, Tracy W. Knapp and Mark A. Milton) an annual fee of \$5,000, payable quarterly, and a \$500 attendance fee per special meeting.

The Company reimburses travel expenses to attend Board and Committee meetings.

Beneficial Ownership of Directors and Officers (1)

Name of Beneficial Owner	Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned
Kevin G. Barth	--	--
William R. Blessing	--	--
Michael Braude	1,000	*
James T. Carr	--	--
John C. Cozad	--	--
Richard L. Finn	--	--
David S. Kimmel	500	*
Tracy W. Knapp	15,747	(2) *
Cecil R. Miller	--	--
Mark A. Milton	11,328	(2) *
William A. Schalekamp	10,719	(2) *

* Less than 1%

- (1) Beneficial ownership information for the following directors appears in the "Beneficial Ownership of Control Persons" table below:
Nancy Bixby Hudson, R. Philip Bixby and Walter E. Bixby.
- (2) Includes a beneficial interest in shares held by the trustees of the Company's employee benefit plans as to which participants have the power to vote the shares held in their account.

B. Legal/Disciplinary History

In the last five years, none of our officers, directors or control persons have been the subject of any of the following:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

C. Disclosure of Family Relationships

R. Philip Bixby, Chairman of the Board, President and Chief Executive Officer; Walter E. Bixby, Vice Chairman of the Board, Executive Vice President and President of the Old American subsidiary; and Angeline I. Bixby; all of whom beneficially hold more than 5% of our common stock, are siblings. R. Philip Bixby, Walter E. Bixby and Angeline I. Bixby are trustees of WEB Interests, Ltd, which holds more than 5% of our common stock.

Nancy Bixby Hudson, Director, and Lee M. Vogel, who votes the proxy for the control group holding the majority of our common stock, are siblings. Nancy Bixby Hudson and Lee M. Vogel are trustees of JRB Interests, LLC, which holds more than 5% of our common stock.

R. Philip Bixby, Walter E. Bixby, and Angeline I. Bixby are cousins of Nancy Bixby Hudson and Lee M. Vogel.

D. Disclosure of Related Party Transactions

There were no related party transactions over the last two calendar years and there are no currently proposed transactions involving the Company in which any related person had or will have a direct or indirect material interest.

E. Disclosure of Conflicts of Interest

There are no conflicts of interest with regards to our executive officers and directors.

Item 12. Financial Information for the Issuer's Most Recent Fiscal Period

Our audited consolidated financial statements for the year ended December 31, 2015, were filed separately through the OTC Disclosure and News Service, available at www.otcm Markets.com are incorporated herein by reference.

Item 13. Similar Financial Information for Such Part of the Two Preceding Fiscal Years as the Issuer or its Predecessor Has Been in Existence

Our audited consolidated financial statements for the year ended December 31, 2014, filed on Form 10-K are incorporated herein by reference and are available through the OTC Disclosure and News Service, our website (www.kclife.com) or at www.sec.gov.

Item 14. Beneficial Owners

Beneficial Ownership of Control Persons

Name and Address of Beneficial Owner	Common Stock Beneficially Owned		Percentage of Common Stock Beneficially Owned
WEB Interests, Ltd. 3520 Broadway Kansas City, MO 64111	2,358,340	(1)(2)	24.4%
JRB Interests, LLC 3520 Broadway Kansas City, MO 64111	2,966,312	(2)(3)	30.6%
Lee M. Vogel 3810 N. Mulberry Dr. #202 Kansas City, MO 64116	7,033,908	(2)(3)(4)	72.6%
Angeline I. Bixby 141 Triple Creek Pass Pine Mountain, GA 31822	3,053,843	(2)(5)(6)	31.5%
Nancy Bixby Hudson 425 Baldwin Creek Rd. Lander, WY 82520	3,190,008	(2)(3)(7)	32.9%
R. Philip Bixby 3520 Broadway Kansas City, MO 64111	3,054,711	(2)(6)(8)	31.5%
Walter E. Bixby 3520 Broadway Kansas City, MO 64111	3,087,057	(2)(6)(9)	31.9%

- (1) WEB Interests, Ltd. is a Texas limited partnership (the "WEB Partnership"). Each partner of the WEB Partnership has the power to dispose of that number of shares of Common Stock owned by the WEB Partnership which equals such partner's proportionate interest in the WEB Partnership.
- (2) Lee M. Vogel ("Mr. Vogel") has the sole voting power for 7,033,908 shares, including all shares described herein, pursuant to a Voting Agreement dated October 31, 2004, among certain members of the Bixby family.
- (3) JRB Interests, LLC is a Missouri limited company ("JRB"). Each member of JRB has the power to dispose of that number of shares of Common Stock owned by JRB corresponding to such member's proportionate interest in JRB.
- (4) Includes 2,966,312 shares for which Mr. Vogel, as a member of JRB, shares the power of disposition. Of these shares, Mr. Vogel: (a) as a member of JRB, in his individual capacity, has an indirect pecuniary interest in 169 shares; (b) as a co-trustee (with The Midwest Trust Company of Missouri) of the Issue Trust for Lee M. Vogel, a member of JRB, shares the power to dispose of 946,475 shares, and (c) as a co-trustee (with The Midwest Trust Company of Missouri) of the Lee M. Vogel GST Exempt Issue Trust, a member of JRB, shares the power to dispose of 82,754 shares. Mr. Vogel disclaims pecuniary interest in all but 1,029,402 shares owned by JRB. Also includes 7,098 shares beneficially owned by Mr. Vogel as sole trustee of the Lee M. Vogel Revocable Trust dated March 15, 2005.
- (5) Includes (a) 4,770 shares for which Ms. Bixby, as an individual general partner of the WEB Partnership, has the sole power of disposition, (b) 781,342 shares for which Ms. Bixby, an individual limited partner, as the sole trustee of the Angeline I. Bixby GST Trust, and as the sole trustee of the Issue Trust for Angeline I. Bixby, which is a limited partner of the WEB Partnership, has the power of disposition, and (c) 353,688 shares owned by Angeline I. Bixby directly and as to which she has the sole power of disposition.
- (6) Includes 2,358,340 shares owned by WEB Partnership, as to which Walter E. Bixby, R. Philip Bixby and Angeline I. Bixby, as general partners of the WEB Partnership, in their capacities as co-trustees of the WEB Trust, share the power of disposition. Also includes 341,816 shares held in the Walter E. Bixby Descendants Trust and as to which R. Philip Bixby, Walter E. Bixby and Angeline I. Bixby, the co-trustees of this trust, share the power of disposition. The terms of the trust restrict the transfer of these shares.
- (7) Includes 223,696 shares for which Nancy Bixby Hudson, as sole trustee of the Nancy Bixby Hudson Trust dated December 11, 1997, has the sole power of disposition. Also includes 2,966,312 shares for which Nancy Bixby Hudson, as a member of JRB, shares with the other members of JRB, the power of disposition of these shares, which are owned by JRB. Ms. Hudson (a) as a member of JRB, has sole power to dispose of 169 of these shares; and (b) as a co-trustee (with The Midwest Trust Company of Missouri) of the Nancy Bixby Hudson GST Trust, the Nancy Bixby Hudson GST Non-Exempt Trust and the Issue Trust for Nancy Bixby Hudson, which trusts are members of JRB, shares the power to dispose of 1,936,741 of these shares. Ms. Hudson disclaims pecuniary interest in 1,029,402 shares owned by JRB.
- (8) Includes (a) 4,770 shares for which R. Philip Bixby, as an individual general partner of the WEB Partnership, has the power of disposition; and (b) 458,366 shares for which Mr. Bixby, as sole trustee of the Robert Philip Bixby Revocable Trust, and 322,977 shares for which Mr. Bixby, as co-trustee of the Robert Philip Bixby 2012 GST Trust, which trusts are limited partners of the WEB Partnership, has the power of disposition. Also includes 318,856 shares owned by R. Philip Bixby directly and as to which he has the sole power of disposition, and a beneficial interest in 35,700 shares held by the trustees of the Company's employee benefit plans as to which participants have the power to vote the shares held in their account.
- (9) Includes (a) 4,770 shares for which Walter E. Bixby, as an individual general partner of the WEB Partnership, has the sole power of disposition; and (b) 592,676 shares for which Mr. Bixby, as the sole trustee of the Walter E. Bixby, III GST Trust, which is a limited

partner of the WEB Partnership, has the power of disposition. Also includes (a) 341,079 shares which Walter E. Bixby owns directly and has the sole power of disposition; (b) 22,856 shares for which Mr. Bixby, as custodian for certain of his minor nieces and nephews, has the sole power of disposition; and (c) and a beneficial interest in 22,967 shares held by the trustees of the Company's employee benefit plans as to which participants have the power to vote the shares held in their account.

We are not aware of any additional beneficial shareholders owning 5% or more of our Common Stock. It is possible that there are one or more additional beneficial holders of a significant percentage of our Common Stock, however the federal securities laws do not require a beneficial shareholder of 5% or more of our Common Stock to disclose that information publicly or to the Company. The table above is based on the best information available to the Company.

Item 15. The Name, Address, Telephone Number, and Email Address of Each of the Following Outside Providers that Advise the Issuer on Matters Relating to Operations, Business Development and Disclosure

Our counsel is:

Scott D. Claassen, Esq.
Stinson Leonard Street LLP
1201 Walnut, Suite 2900
Kansas City, Missouri 64106
scott.claassen@stinson.com
(816) 691-2348

Our auditor is:

KPMG LLP
1000 Walnut Street, Suite 1100
Kansas City, MO 64106

Preparation of our consolidated financial statements is the responsibility of the Company. KPMG LLP is responsible for conducting an audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America, with the objective of expressing an opinion as to whether the presentation of the consolidated financial statements conforms with U.S. generally accepted accounting principles. KPMG LLP has confirmed to us that the firm is licensed to practice public accounting in the states in which we conduct our business. KPMG LLP is registered with the PCAOB.

Item 16. Management's Discussion and Analysis or Plan of Operation

A. Plan of Operation

This item is not applicable as we have had revenues in each of the last two fiscal years.

B. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our Management's Discussion and Analysis of Financial Condition and Results of Operations for each of the last two fiscal years are incorporated by reference to our Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcmarkets.com.

C. Off-Balance Sheet Arrangements

As of December 31, 2015, we did not have any significant or material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the issuer's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Part E - Issuance History

Item 17. List of Securities Offerings and Shares Issued for Services in the Past Two Years

We have had no securities offerings or shares issued for services during the past two fiscal years, or since December 31, 2015.

Part F - Exhibits

Item 18. Material Contracts

1. The Voting Agreement between members of the Company's Control Group was filed in the Company's 8-K on November 3, 2004 and is incorporated herein by reference.
2. Kansas City Life Deferred Compensation Plan, as amended and restated effective July 2, 2012, was filed as Exhibit 10(a) to the Company's 2012 10-K and is incorporated herein by reference.
3. Kansas City Life Insurance Company Omnibus Incentive Plan, effective January 1, 2014, and filed as Exhibit 10(k) to the Company's 2015 10-K and is incorporated herein by reference.
4. The fourth amendment to the Kansas City Life Excess Benefit Plan was filed as Exhibit 10(d) to the Company's 2010 10-K and is incorporated herein by reference.
5. The Coinsurance Agreement between Kansas City Life Insurance Company and Transamerica Occidental Life Insurance Company of Cedar Rapids, Iowa effective January 19, 2005, was filed as Exhibit 10(e) to the Company's 2009 10-K/A and is incorporated herein by reference.
6. The Automatic YRT Reinsurance Agreement between Sunset Life Insurance Company of America and RGA Reinsurance Company effective January 1, 2002, was filed as Exhibit 10(f) to the Company's 2009 10-K/A and is incorporated herein by reference.
7. The Automatic and Facultative Reinsurance Agreement (Coinsurance Basis) between Kansas City Life Insurance Company and Security Life of Denver Insurance Company effective May 1, 2002, was filed as Exhibit 10(g) to the Company's 2009 10-K/A and is incorporated herein by reference.
8. The Automatic and Facultative Coinsurance Reinsurance Agreement between Kansas City Life Insurance Company and RGA Reinsurance Company effective May 1, 2002, was filed as Exhibit 10(h) to the Company's 2009 10-K/A and is incorporated herein by reference.

Item 19. Articles of Incorporation and Bylaws

The Articles of Incorporation, as Restated in 1986 and amended in 1999, were filed as Exhibit 3(a) to the Company's 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference. Two amendments to the Articles of Incorporation, effective December 16, 2015, are attached hereto as Exhibit 19.

The Bylaws as Amended and Restated October 29, 2007, were filed as Exhibits 3.1 and 3.2 to the Company's 8-K for October 30, 2007 and are incorporated herein by reference.

Item 20. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Our Board of Directors regularly authorizes the Company to repurchase shares on the open market. On January 26, 2015, the Board authorized the Company to purchase up to one million shares between the authorization date and January 25, 2016. On January 25, 2016, the Board authorized the Company to purchase up to one million shares between authorization and January 23, 2017. The chart below reflects the purchase of shares as part of the repurchase program during 2015.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Shares Purchased under the Open Market Repurchase Program	Number of Shares remaining under the Open Market Repurchase Program
1/1/15 - 1/31/15	9,119	\$ 47.77	9,119	990,881
2/1/15 - 2/28/15	—	—	—	990,881
3/1/15 - 3/31/15	35,848	46.07	35,848	955,033
4/1/15 - 4/30/15	47,977	45.96	47,977	907,056
5/1/15 - 5/31/15	46,565	44.63	46,565	860,491
6/1/15 - 6/30/15	50,872	45.38	50,872	809,619
7/1/15- 7/31/15	25,167	45.82	25,167	784,452
8/1/15 - 8/31/15	—	—	—	784,452
9/1/15 - 9/30/15	—	—	—	784,452
10/1/15 - 10/31/15	—	—	—	784,452
11/1/15 - 11/30/15	—	—	—	784,452
12/1/15- 12/31/15	—	—	—	784,452
Total	<u>215,966</u>		<u>215,548</u>	

On October 1, 2015, we purchased 14,670 shares of our common stock in connection with the termination of our Employee Stock Plan (ESOP). The price paid per share for that stock was \$46.99. Prior to the termination of the ESOP, routine distributions were made to certain participants resulting in the acquisition of shares from the Plan during the year. These distributions resulted in the Company acquiring: (1) 353 shares in January 2015 at an average price per share of \$48.03; and (2) 65 shares in July 2015 at an average price per share of \$45.71.

On December 16, 2015, we effected a 1-for-250 reverse stock split, which resulted in the cancellation of all fractional shares below one whole share. As a result of the reverse stock split, the Company cancelled 906,500 shares in exchange for a cash payment at a price per share of \$52.50. Immediately following the reverse stock split, we effected a 250-for-1 forward stock split for remaining shareholders.

Item 21. Issuer's Certifications

I, R. Philip Bixby, certify that:

1. I have reviewed this annual 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 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: March 10, 2016

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

I, Tracy W. Knapp, certify that:

1. I have reviewed this annual 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 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: March 10, 2016

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