

## MESSAGE FROM THE PRESIDENT

The year 2012 was a remarkable chapter in the history of Kansas City Life Insurance Company, as the Company generated strong earnings and reached new heights in terms of assets and stockholders' equity. The Company recorded net income of \$39.9 million, the highest level of earnings since 2004, and the year ended with assets and stockholders' equity growing to \$4.5 billion and \$750 million, respectively. A highlight of the year was that the Company was able to share the favorable financial performance through the payment of a special dividend in December 2012.

These results were perhaps most notable because they were generated during a period of significant economic and political uncertainty, and they stand in contrast relative to the impact of the recent recession. However, Kansas City Life continues to successfully weather difficult periods of recession and uncertainty as the Company grows and prospers over time; and to share these benefits is reflected in the values upon which we operate.

The ability to maintain a long-term perspective is one of the most important attributes in providing Security Assured to those we serve. Many of the seeds for the harvest of 2012 were planted during the great recession, and only by having had financial strength during this difficult

period could the Company have taken the long-term view of knowing that sound investments would again bear rewards.

The challenges of globally low interest rates and fragile economic systems, along with political uncertainties of addressing public finance deficits and long-term debt, have certainly not abated. Despite these challenges, the Company is well positioned to deal with these and the many other challenges that we may potentially face in both the near- and long-term future.

During the past year, Kansas City Life pursued opportunities to reallocate investments, altered product marketing programs for certain existing products and developed new product features that were aimed at improving performance in the low interest rate environment. The Company also took measures to reduce exposure to potential future market volatility.

Another important step taken by the Company in 2012 was the promotion and expansion of marketing responsibilities for Kansas City Life Vice Chairman of the Board and President of Old American Insurance Company, Walter E. "Web" Bixby, LLIF. Having guided Old American to six consecutive years of growth in new premiums, Web was promoted to Executive Vice President at Kansas City Life.



This strengthens the Company's emphasis and priority of providing protection to policyholders through life insurance.

Kansas City Life will continue to maintain a diversified product portfolio and focus on cultivating strong relationships with its policyholders, agents, general agents and sales representatives, and we plan to expand upon these in the future. These relationships, together with leadership trained on long-term results and a commitment to a value system based on honor and integrity, create the foundation for our ability to meet challenges and provide for a prosperous future to all we serve.

— **R. Philip Bixby**  
*President, Chief Executive Officer  
and Chairman of the Board*