KANSAS CITY LIFE INSURANCE CO
Form 11-K
July 01, 2013

United States
Securities and Exchange Commission
Washington, D. C. 20549
Form 11-K
ý ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Fiscal Year ended December 31, 2012
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 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 Savings and Profit Sharing Plan
A. (Full Title of the Plan)

Kansas City Life Insurance Company
3520 Broadway
Kansas City, Missouri 64111-2565
B. (Name and Address of Issuer of Securities Held Pursuant to the Plan)
Required Information
Pursuant to the section of the General Instructions to Form 11-K entitled "Required Information," this Annual Report on Form 11-K for the fiscal year ended December 31, 2012, consists of the audited financial statements of the Kansas City Life Insurance Company Savings and Profit Sharing Plan for the year ended December 31, 2012, and the related schedule thereto. The Kansas City Life Insurance Company Savings and Profit Sharing Plan is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and in accordance with Item 4 of the section of the General Instructions to Form 11-K entitled "Required Information," the financial statements and schedule furnished herewith have been prepared in accordance with the financial reporting requirements of ERISA, in lieu of the requirements of Items 1-3 of that section of the General Instructions. Schedules I, II and III are not submitted because they are either not applicable, the required information is included in the financial statements or notes thereto, or they are not required under ERISA.

Kansas City Life
Insurance Company
Savings and Profit Sharing Plan
Financial Statements
and
Supplemental Schedule
2012

KANSAS CITY LIFE INSURANCE COMPANY
SAVINGS and PROFIT SHARING PLAN

STATEMENTS of NET ASSETS AVAILABLE for BENEFITS
(amounts in thousands)

	December 31 2012	2011
Assets:		
Investments, at fair value:		
Mutual funds	$38,106	$33,213
Guaranteed investment contract	22,917	19,711
Kansas City Life Insurance Company common stock	22,879	19,944
Total investments	83,902	72,868
Contribution receivable from employer	1,270	1,286
Notes receivable from participants	1,207	1,220
Total assets	86,379	75,374
Adjustment from fair value to contract value for fully benefit-responsive investment contract (Note 4)	(1,585)	(1,366)
Net assets available for benefits	$84,794	$74,008

See accompanying Notes to Financial Statements.

KANSAS CITY LIFE INSURANCE COMPANY
SAVINGS and PROFIT SHARING PLAN

STATEMENT of CHANGES in NET ASSETS AVAILABLE for BENEFITS
(amounts in thousands)

	Year ended December 31 2012
Changes to net assets:	
Investment:	
Interest income	$618
Dividend income	1,554
Net appreciation in fair value of investments	7,346
Net change in investments	9,518
Contributions:	
Participants	2,672
Employer, net of forfeitures	3,081
Total contributions	5,753
Interest income on notes receivable from participants	41
Distributions	
Benefits paid to participants and beneficiaries	4,515
Operating expenses, net	11
Total distributions	4,526
Net increase	10,786
Net assets available for benefits:	
Beginning of year	74,008
End of year	$84,794

See accompanying Notes to Financial Statements.

KANSAS CITY LIFE INSURANCE COMPANY
SAVINGS and PROFIT SHARING PLAN
Notes to Financial Statements
(amounts in thousands)

1. DESCRIPTION OF PLAN

The following description of the Kansas City Life Insurance Company Savings and Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more comprehensive description of the Plan's provisions.

General

The Plan is a defined contribution benefit plan sponsored by Kansas City Life Insurance Company (the Company or KCL) and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Management believes it is in compliance with such provisions.

Plan Administration

The Plan is administered by an Administrative Committee appointed by the Executive Committee of the Company, who are officers of the Company. The Plan has three Trustees who are also officers of the Company. The Plan engages a separate independent record keeper. In 2011 and through the first half of 2012 the Company used JP Morgan Retirement Plan Services LLC. In the second half of 2012 the Plan changed the record keeper to Wells Fargo Institutional Retirement and Trust.

Eligibility

Each employee who is at least 21 years of age is eligible to participate in the elective deferral portion of the Plan as soon as administratively possible after their date of hire or subsequently reaching age 21. An employee is eligible to participate in the matching Company contribution and the discretionary profit sharing contribution of the Plan immediately after becoming a participant of the Plan.

Contributions

Participants may elect to contribute to the Plan any percentage not to exceed 100% of their monthly base salary subject to maximum contribution limitations established by the Internal Revenue Code (IRC). Contribution percentages can be changed each payroll processing cycle (i.e., semi-monthly). The maximum contribution for any participant who is classified as highly compensated is 8%. Participants who have attained the age of 50 before the end of each plan year are eligible to make catch-up elective contributions. Participants may also contribute amounts representing distributions from other qualified plans.

For 2012 and 2011 the Company matched participant contributions up to 8% of the participant's salary. The Company may also contribute an additional profit sharing amount up to 4% of participants' salary, depending upon corporate profits. On March 13, 2013 the Company made a 4% profit sharing contribution of $1,270, based upon 2012 corporate profits.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of the Company's contributions and the Plan's net investment income. Allocations are based on participant earnings or account balances, as defined. Each participant is entitled to the benefit that can be provided from the participant's vested account. Participants are allowed to direct the investment of their contributions among the 21 investment options offered by the Plan. Participants may change investment options at any time.

Voting Rights

Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account and is notified by the Company on behalf of the Trustees prior to the time that such rights are to be exercised. The Trustees are not permitted to vote any allocated share for which instructions have not been given by a participant.

Vesting

Participants are fully vested immediately in their contributions and any actual earnings thereon. Company contributions vest to the participant 20% after two years of employment, and an additional 20% each year thereafter until the participant is fully vested in Company contributions. In the event a participant shall be terminated from employment with the Company due to death, retirement or disability, the participant's Company contributions shall become fully vested.

KANSAS CITY LIFE INSURANCE COMPANY
SAVINGS and PROFIT SHARING PLAN
Notes to Financial Statements
(amounts in thousands)

Forfeited Accounts
Any participant who terminates employment will forfeit the nonvested portion of their account balance as of the date of separation. Forfeited balances under the Plan are used at times to reduce the Company's matching contributions. For 2012, the total forfeitures of terminated non-vested account balances were $26, of which $12 was used to offset Company contribution.

Notes Receivable from Participants
Participants may request a loan from their vested account balance in the Plan under the terms and conditions established by the Administrative Committee. The amount that may be borrowed is limited in accordance with the IRC Section 72(p). Loans will be made for a period no longer than five years, except for loans used to acquire a primary residence. The loans are secured by the balance in the participant's account and bear interest at current market rates at the time of issuance. Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. As of December 31, 2012, rates on outstanding loans range from 3.25% to 7.5%. Principal and interest is paid ratably through payroll deductions.

Payment of Benefits
All distributions shall be in the form of a lump sum payment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying financial statements of the Plan have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”).

Use of Estimates
The preparation of the financial statements requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Valuation of Investments and Income Recognition
Investments in mutual funds are reported at fair value based upon the net asset value of the mutual fund shares held based on the unadjusted closing price at year end. Shares of Company common stock are reported at fair value based upon the unadjusted closing price at year-end. The cost of investments sold is determined on the average cost basis. Purchases and sales of securities are recorded on the trade date.

Investments in the Guaranteed Investment Contract are reported at the contract value as stated in the guaranteed investment contract. An investment contract is generally permitted to be valued at contract value, rather than fair value, to the extent it is fully benefit-responsive. The fully benefit-responsive investment contract is included at fair value in the investments of the Plan and are adjusted to contract value in the Statements of Net Assets Available for Benefits. The fair value is determined based upon the contract's prorata share of the fair value of the assets in the underlying separate account. The Statement of Changes in Net Assets Available for Benefits is presented on a contract basis.

The Plan's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, in accordance with FASB Accounting Standards Codification (ASC) 820 which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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KANSAS CITY LIFE INSURANCE COMPANY
SAVINGS and PROFIT SHARING PLAN
Notes to Financial Statements
(amounts in thousands)

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1	Valuations are based upon quoted prices for identical instruments traded in active markets. Level 1 assets include publicly traded mutual funds and common stock such as Kansas City Life Insurance Company common stock, which are traded in active markets.
Level 2	Valuations are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. Valuations are obtained from third-party pricing services or inputs that are observable or derived principally from or corroborated by observable market data. Level 2 assets include the Guaranteed Investment Contract.
Level 3	Valuations are generated from techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of discounted cash flow models, spread-based models, and similar techniques, using the best information available in the circumstances.

As required by FASB ASC 820, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety.

KANSAS CITY LIFE INSURANCE COMPANY
SAVINGS and PROFIT SHARING PLAN
Notes to Financial Statements
(amounts in thousands)

The following tables present by level, within the fair value hierarchy, the Plan's assets at fair value.

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Bond funds	$6,036	$6,036	$—	$—
Asset Allocation funds	21,943	21,943	—	—
Stock funds	10,127	10,127	—	—
Total Mutual funds	38,106	38,106	—	—
Guaranteed investment contract	22,917	—	22,917	—
Kansas City Life Insurance Company common stock	22,879	22,879	—	—
Total	$83,902	$60,985	$22,917	$—

	December 31, 2011			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Bond funds	$4,944	$4,944	$—	$—
Asset Allocation funds	6,855	6,855	—	—
Stock funds	21,414	21,414	—	—
Total Mutual funds	33,213	33,213		