KANSAS CITY LIFE INSURANCE CO
Form 10-Q
May 09, 2005

United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15 (d) of the

Securities Exchange Act of 1934

For the Quarter ended March 31, 2005

Commission File No. 2-40764

Kansas City Life Insurance Company

3520 Broadway

Kansas City, Missouri 64111-2565

Phone: (816) 753-7000

IRS Number: 44-0308260

Incorporated in the State of Missouri

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, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No______

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the most recent date available.

Class	*Outstanding April 14, 2005*
Common Stock, $1.25 par value	11,919,281 shares

KANSAS CITY LIFE INSURANCE COMPANY

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Part I Financial Information

Item 1. Financial Statements

KANSAS CITY LIFE INSURANCE COMPANY
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data)

	March 31 2005 (Unaudited)	December 31 2004
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value	$ 2,949,303	$ 2,962,114
Equity securities available for sale, at fair value	59,259	63,099
Mortgage loans	445,479	430,632
Real estate	88,386	91,519
Policy loans	107,065	108,546
Short-term investments	19,257	67,980
Other investments	1,673	2,081
Total investments	3,670,422	3,725,971
Cash	7,739	4,147
Accrued investment income	43,050	39,928
Deferred acquisition costs	229,619	229,712
Value of business acquired	94,679	96,853
Reinsurance receivables	160,143	156,839
Property and equipment	31,247	31,595
Other assets	32,159	27,118
Separate account assets	346,857	353,983
Total assets	$ 4,615,915	$ 4,666,146
LIABILITIES		
Future policy benefits	$ 860,034	$ 859,890
Policyholder account balances	2,297,039	2,299,647
Policy and contract claims	36,455	34,200
Other policyholder funds	95,928	96,853
Notes payable	72,279	92,220
Income taxes	38,382	53,703
Other liabilities	194,966	182,754
Separate account liabilities	346,857	353,983
Total liabilities	3,941,940	3,973,250
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	24,486	24,279
Retained earnings	738,238	733,499
Accumulated other comprehensive income	3,768	26,231
Less treasury stock, at cost (2005 - 6,574,980 shares;		
2004 - 6,550,287 shares)	(115,638)	(114,234)
Total stockholders' equity	673,975	692,896
Total liabilities and stockholders' equity	$ 4,615,915	$ 4,666,146

See accompanying Notes to Consolidated Financial Statements.

KANSAS CITY LIFE INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(amounts in thousands, except share data)

	Quarter ended March 31	
	2005	2004
REVENUES		
Insurance revenues:		
Premiums	$ 46,425	$ 47,051
Contract charges	28,762	29,149
Reinsurance ceded	(13,609)	(12,518)
Total insurance revenues	61,578	63,682
Investment revenues:		
Net investment income	48,790	50,727
Realized investment gains	1,335	803
Other revenues	2,567	2,534
Total revenues	114,270	117,746
BENEFITS AND EXPENSES		
Policyholder benefits	45,721	50,468
Interest credited to policyholder account balances	23,213	24,309
Amortization of deferred acquisition costs and value of business acquired	10,665	9,848
Operating expenses	23,778	25,739
Total benefits and expenses	103,377	110,364
Income before income tax expense	10,893	7,382
Income tax expense	2,933	1,787
NET INCOME	$ 7,960	$ 5,595
Basic and diluted earnings per share:		
Net income	$ 0.67	$ 0.47

See accompanying Notes to Consolidated Financial Statements.

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KANSAS CITY LIFE INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(amounts in thousands)

	Quarter ended March 31	
	2005	2004
OPERATING ACTIVITIES		
Net cash provided	$ 9,397	$ 19,801
INVESTING ACTIVITIES		
Purchases of investments:		
Fixed maturity securities	(164,111)	(214,806)
Equity securities	(690)	(1,304)
Mortgage loans	(37,467)	(9,982)
Real estate	(1,932)	(4,434)
Other investment assets	(199,252)	(215,807)
Sales of investments:		
Fixed maturity securities	38,656	25,055
Equity securities	3,978	1,030
Real estate	4,663	858
Other investment assets	249,864	238,846
Maturities and principal paydowns of investments:		
Fixed maturity securities	93,413	106,657
Mortgage loans	23,144	29,346
Net additions to property and equipment	(303)	(428)
Net cash provided (used)	9,963	(44,969)
FINANCING ACTIVITIES		
Proceeds from borrowings	22,263	915
Repayment of borrowings	(42,204)	(3,689)
Deposits on policyholder account balances	63,815	68,343
Withdrawals from policyholder account balances	(55,667)	(49,420)
Net transfers to separate accounts	(1,362)	(3,213)
Change in other deposits	1,805	3,504
Cash dividends to stockholders	(3,221)	(3,325)
Net disposition (acquisition) of treasury stock	(1,197)	114
Net cash provided (used)	(15,768)	13,229
Increase (decrease) in cash	3,592	(11,939)
Cash at beginning of year	4,147	20,029
Cash at end of period	$ 7,739	$ 8,090

See accompanying Notes to Consolidated Financial Statements.

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Kansas City Life Insurance Company

Notes to Consolidated Financial Statements

(amounts in thousands, except share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited consolidated financial statements, the accompanying notes to these financial statements and the accompanying Management s Discussion and Analysis of Operations of Kansas City Life Insurance Company include the accounts of the Company and its subsidiaries, principally Sunset Life Insurance Company of America (Sunset Life), and Old American Insurance Company (Old American). On June 30, 2003, the Company acquired all of the issued and outstanding stock of GuideOne Life Insurance Company (GuideOne) from GuideOne Financial Group, Inc. and GuideOne Mutual Company. As of October 1, 2003, GuideOne was merged into Kansas City Life Insurance Company.

The unaudited consolidated financial statements have been prepared in accordance with U. S. generally accepted accounting principles (GAAP) for interim financial reporting and with the instructions to Form 10-Q of Regulation S-X. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements and as such, these unaudited interim financial statements should be read in conjunction with the Company's 2004 Form 10-K and the 2004 Annual Report to Stockholders. Management believes that the disclosures are adequate to make the information presented not misleading, and all normal and recurring adjustments necessary to present fairly the financial position at March 31, 2005 and the results of its operations for all periods presented have been made. The results of operations for any interim period are not necessarily indicative of the Company s operating results for a full year.

Significant intercompany transactions have been eliminated in consolidation and certain reclassifications have been made to the prior year results to conform with the current year s presentation.

Business Changes

On October 25, 2004, the Company entered into a definitive agreement to sell its bank subsidiary, Generations Bank, for $10.1 million to Generations Bancorp, with an expected gain on the sale of approximately $1.9 million. This transaction is subject to regulatory approval by the Office of Thrift Supervision and is expected to close in the third quarter of 2005. The bank subsidiary and the results of its operations are not material to the financial statements of the Company and are not disclosed separately.

On December 14, 2004, the Company signed an asset purchase agreement to sell its administrative claims paying services contracts as a defined block of business to The Epoch Group, L. C. for $0.2 million on January 1, 2005. The administrative claims paying services, marketed as KCL Benefit Solutions, are part of the Group Insurance business segment. One-half of the purchase price was received in February 2005. The other half is due in subsequent years, subject to certain persistency requirements. This block of business and the results of operations are not material to the financial statements of the Company and are not disclosed separately.

Significant Accounting Policies

These significant accounting policies should be read in conjunction with statements and disclosures made in the Company s 2004 Form 10-K as filed with the United States Securities and Exchange Commission.

The preparation of the consolidated financial statements requires management of the Company to make estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. These estimates are inherently subject to change and actual results could differ from these estimates.

Kansas City Life Insurance Company

Notes to Consolidated Financial Statements (Continued)

The Company maintains a diversified securities portfolio. The Company s securities available for sale are carried at fair value in the Company s balance sheet. The Company receives fair values for its securities portfolio from a variety of external sources. Various measures have been taken to manage the portfolio s credit and interest rate risks, as discussed in the Company s 2004 Form 10-K and the 2004 Annual Report to Stockholders. The Company performs a review of its securities' fair values on an ongoing basis to determine changes in the value of the portfolio. Several factors are analyzed in evaluating these securities, including an analysis of the issuing company, its industry, valuation levels and subsequent developments. Based upon these inputs, the Company establishes its securities values in accordance with GAAP.

Deferred acquisition costs (DAC), principally agent commissions and other selling, selection and issue costs, which vary with and are directly related to the production of new business, are capitalized as incurred. These deferred costs are then amortized in proportion to future premium revenues or the expected future profits of the business, depending upon the type of product. Profit expectations are based upon assumptions of future interest spreads, mortality margins, expense margins and policy and premium persistency experience. These assumptions involve judgment and are compared to actual experience on an ongoing basis. If it is determined that the assumptions related to the profit expectations for interest sensitive and variable insurance products should be revised, the impact of the change is reported in the current period s income as an unlocking adjustment.

When new business is acquired, a portion of the purchase price is allocated to a separately identifiable intangible asset, called the value of business acquired (VOBA). VOBA is established as the actuarially determined present value of future gross profits of the business acquired and is amortized in proportion to future premium revenues or the expected future profits, depending on the type of business acquired. Similar to DAC, the assumptions regarding future experience can affect the carrying value of VOBA, including interest spreads, mortality, expense margins and policy and premium persistency experience. Significant changes in these assumptions can impact the carrying balance of VOBA and produce changes that are reflected in the current period s income as an unlocking adjustment.

Premiums for traditional life insurance products are reported as revenue when due. Premiums on accident and health, disability and dental insurance are reported as earned ratably over the contract period in proportion to the amount of insurance protection provided. A reserve is provided for the portion of premiums written which relate to unexpired terms of coverage.

Deposits related to universal life, fixed deferred annuity contracts and investment-type products are credited to policyholder account balances. Revenues from such contracts consist of amounts assessed against policyholder account balances for mortality, policy administration and surrender charges, and are recognized in the period in which the services are provided.

The Company establishes liabilities for amounts payable under insurance policies, including traditional life insurance, annuities and accident and health insurance. Generally, amounts are payable over an extended period of time and the profitability of the products is dependent on the assumptions used in the pricing of the products. Principal assumptions used in pricing policies and in the establishment of liabilities for future policy benefits are mortality, morbidity, expenses, persistency, investment returns and inflation. Differences between actual experience and assumptions used in the pricing of these policies and in the establishment of liabilities may result in variability of net income.

Policyholder account balances include universal life insurance, fixed deferred annuity contracts and investment-type contracts. The account balances for universal life contracts are equal to cumulative premiums, less contract charges, plus interest credited. The account balances for fixed deferred annuities and investment contracts are equal to the cumulative deposits less any applicable contract charges plus interest credited. The profitability of these products is also dependent on principal assumptions similar to traditional insurance products, and differences between actual experience and pricing assumptions may result in variability of net income.

Kansas City Life Insurance Company

Notes to Consolidated Financial Statements (Continued)

In the normal course of business, the Company cedes risks to other insurers primarily to protect the Company against adverse fluctuations in mortality experience. The Company also assumes risks ceded by other companies. Reinsurance is effected on individual risks and through various pooling arrangements. Business is reinsured primarily through yearly renewable term and coinsurance agreements. Under yearly renewable term insurance, the Company pays annual premiums and the reinsurer reimburses claims paid related to this coverage. Under coinsurance, the reinsurer receives a proportionate share of the premiums less applicable commissions and is liable for a corresponding share of policy benefits. The Company remains contingently liable if the reinsurer should be unable to meet obligations assumed under the reinsurance contract.

Reinsurance receivables includes amounts related to paid benefits and estimated amounts related to unpaid policy and contract claims, future policy benefits and policyholder account balances. The cost of reinsurance is accounted for over the terms of the underlying reinsured policies using assumptions consistent with those used to account for the policies.

New Accounting Pronouncements

In March 2004, the Emerging Issues Task Force reached further consensus on Issue No. 03-1 The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments (EITF 03-1). EITF 03-1 provides guidance for determining the meaning of other-than-temporarily impaired and its application to certain debt and equity securities within the scope of Statement of Financial Accounting Standards No. 115 Accounting for Certain Investments in Debt and Equity Securities (SFAS 115) and investments accounted for under the cost method. The guidance requires that investments which have declined in value due to credit concerns or solely due to changes in interest rates must be recorded as other-than-temporarily impaired unless the Corporation can assert and demonstrate its intention to hold the security for a period of time sufficient to allow for a recovery of fair value up to or beyond the cost of the investment, which might mean maturity. This issue also requires disclosures assessing the ability and intent to hold investments in instances in which an investor determines that an investment with a fair value less than cost is not other-than-temporarily impaired.

The guidance in EITF 03-1 was effective for other-than-temporary impairment evaluations made in reporting periods beginning after June 15, 2004. However, the guidance contained in paragraphs 10-20 of this Issue in EITF Abstracts has been delayed by FASB Staff Position (FSP) EITF Issue 03-1-1, The Effective Date of Paragraphs 10-20 of EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, posted on September 30, 2004. At the November 2004 meeting, the FASB staff indicated that the Board is expected to undertake a comprehensive reconsideration of the guidance in EITF 03-1 and that the measurement and recognition guidance in paragraphs 10-20 of that Issue continue to be deferred by FSP EITF Issue 03-1-1. However, other provisions of EITF 03-1, including its disclosure requirements, have not been deferred. The disclosure requirements continue to be effective in annual financial statements for fiscal years ending after December 15, 2003, for investments accounted for under FASB Statements of Financial Accounting Standards 115 and 124. For all other investments within the scope of this Issue, the disclosures continue to be effective in annual financial statements for fiscal years ending after June 15, 2004.

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123 (revised 2004) "Accounting for Stock-Based Compensation" (FAS 123R). This statement requires recognition in the financial statements of the fair-value-based measurement method of equity-based compensation issued to employees. FAS 123R is effective January 1, 2006. The Company is currently evaluating FAS 123R but does not believe this new standard will have a material impact in the financial statements.

All other Standards and Interpretations of those Standards issued during 2005 did not relate to accounting policies and procedures pertinent to the Company at this time.

Kansas City Life Insurance Company

Notes to Consolidated Financial Statements (Continued)

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income and other comprehensive income (loss). Other comprehensive income (loss) includes the unrealized investment gains or losses on securities available for sale (net of reclassification adjustments for realized investment gains or losses) net of deferred acquisition costs, and the change in the additional minimum pension liability. Other comprehensive income (loss) includes deferred income taxes on these items.

For the first quarter of 2005, comprehensive loss was $14.5 million, which consisted of net income of $8.0 million and other comprehensive loss of $22.5 million. For the first quarter of 2004, comprehensive income was $31.5 million, which consisted of net income of $5.6 million and other comprehensive income of $25.9 million.

Income Per Share

Due to the Company s capital structure and the absence of other potentially dilutive securities, there is no difference between basic and diluted earnings per common share for any of the periods reported. The weighted average number of shares outstanding were 11,928,929 and 11,925,257 for the first quarter of 2005 and 2004, respectively.

Income Taxes

The first quarter income tax was an expense of $2.9 million or 27% of income before tax for 2005, versus an expense of $1.8 million or 24% of income before tax for the prior year period.

The income tax rate in both years was reduced by tax credits generated from the Company s investments in affordable housing. The effect of the affordable housing credits on the effective tax rate was a benefit of $0.7 million or 7% of income before tax for the first quarter of 2005, and a benefit of $1.0 million or 13% of income before tax for 2004.

2. SEGMENT INFORMATION

Company operations have been classified and summarized into four reportable segments. The segments, while generally classified along Company lines, are based upon distribution method, product portfolio and target market. The Parent Company is divided into two segments. The Kansas City Life Individual Insurance segment consists of sales of variable life and annuities, interest sensitive products and traditional life insurance products through a nationwide sales force of independent general agents. GuideOne is included in the Kansas City Life Individual Insurance segment. The Kansas City Life - Group Insurance segment consists of sales of group life, disability, stop loss and dental products. Also, this segment offered administrative claims paying services, marketed as KCL Benefit Solutions, through year-end 2004. Group Insurance segment products and services are marketed by a nationwide sales force of independent general agents and group brokers, along with third party marketing arrangements. The Sunset Life segment consists of sales of interest sensitive and traditional products through a nationwide sales force of independent general agents. The Old American segment sells final expense insurance products nationwide through its general agency system with exclusive territories, using direct response marketing to supply agents with leads.

Separate investment portfolios are maintained for each of the companies. However, investments are allocated to the Group Insurance segment based upon its cash flows. Its investment income is modeled using the year of investment method. Home office functions are fully integrated for the three companies in order to maximize economies of scale. Therefore, operating expenses are allocated to the segments based upon internal cost studies, which are consistent with industry cost methodologies.

Kansas City Life Insurance Company

Notes to Consolidated Financial Statements (Continued)

Inter-segment revenues are not material. The Company operates solely in the United States and no individual customer accounts for 10% or more of the Company's revenue.

The following schedule provides, in thousands, the financial performance of each of the four reportable operating segments of the Company.

		Kansas City Life Individual	Group	Sunset Life	Old American	Total
Insurance revenues:						
First quarter:	2005	$ 31,277	$ 9,904	$ 3,717	$ 16,680	$ 61,578
	2004	31,646	11,024	3,950	17,062	63,682
Net investment income:						
First quarter:	2005	$ 38,892	$ 65	$ 6,643	$ 3,190	$ 48,790
	2004	40,405	80	6,964	3,278	50,727
Net income (loss):						
First quarter:	2005	$ 7,002	$ (748)	$ 1,375	$ 331	$ 7,960
	2004	3,949	(310)	1,350	606	5,595

3. PENSIONS AND OTHER POSTRETIREMENT BENEFITS

Components of net periodic benefit cost:

	Pension Benefits Quarter ended March 31		Other Benefits Quarter ended March 31	
	2005	2004	2005	2004
Service cost	$ 554	$ 584	$ 193	$ 189
Interest cost	1,821	1,804	375	352
Expected return on plan assets	(1,856)	(1,610)	(17)	(19)
Amortization of:				
Unrecognized actuarial loss	718	830	23	7
Unrecognized prior service cost	(162)	(162)	-	-
Net periodic benefits cost	$ 1,075	$ 1,446	$ 574	$ 529

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act (the Act) was signed into law. The Act includes a federal subsidy to sponsors of retiree health plans that provide a prescription drug benefit that is at least actuarially equivalent to the benefit to be provided under Medicare Part D. The Company has evaluated the provisions of the Act and believes that the benefits provided by the plan are actuarially equivalent thereto. As a result, the Company determined the accumulated benefit obligation to incorporate the impact of the Act. This resulted in a reduction to the accumulated benefit obligation of $7.1 million at December 31, 2004, but did not have a material impact on the net periodic postretirement benefit cost for the year ended December 31, 2004.

Kansas City Life Insurance Company

Notes to Consolidated Financial Statements (Continued)

4. COMMITMENTS

In the normal course of business the Company has open purchase and sale commitments. At March 31, 2005, the Company had open purchase commitments of $27.0 million and open sales commitments of $.3 million. Subsequent to March 31, 2005, the Company entered into purchase commitments of $2.2 million. Typically, these purchase and sales commitments are for mortgage loans, real estate and affordable housing investments. The ultimate financial impact of these commitments is not presently determinable.

5. CONTINGENT LIABILITIES

The life insurance industry, including the Company, has been subject to an increase in litigation in recent years. Such litigation has been pursued on behalf of purported classes of policyholders and other claims and legal actions in jurisdictions where juries often award punitive damages, which are grossly disproportionate to actual damages. Although no assurances can be given and no determinations can be made at this time, management believes that the ultimate liability, if any, with respect to these claims and actions, would have no material effect on the Company s business, results of operations or financial position.

6. GUARANTEES AND INDEMNIFICATIONS

The Company is subject to various indemnification obligations issued in conjunction with certain transactions, primarily assumption reinsurance agreements, stock purchase agreements, mortgage servicing agreements and borrowing agreements whose terms range in duration and often are not explicitly defined. Generally, a maximum obligation is not explicitly stated; therefore, the overall maximum amount of the obligation under the indemnifications cannot be reasonably estimated. While we are unable to estimate with certainty the ultimate legal and financial liability with respect to these indemnifications, we believe the likelihood is remote that material payments would be required under such indemnifications, and therefore such indemnifications would not result in a material adverse effect on our business, financial position or results of operations.

<u>Item 2.</u> **<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>**

Cautionary Statement on Forward-Looking Information

This report reviews the Company s financial condition and results of operations, and historical information is presented and discussed. Where appropriate, factors that may affect future financial performance are also identified and discussed. Certain statements made in this report include forward-looking statements that fall within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any statement that may predict, forecast, indicate or imply future results, performance or achievements rather than historical facts and may contain words like believe, expect, estimate, project, forecast, anticipate, plan, will, shall, and other words, phrases or expre similar meaning.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those contemplated by the forward-looking statements. Factors that could cause the Company s future results to differ materially from expected results include, but are not limited to:

- Changes in general economic conditions, including the performance of financial markets and interest rates;
- Increasing competition, which may affect the Company s ability to sell its products;
- Customer and agent response to new products, distribution channels and marketing initiatives;
- Fluctuations in experience regarding current mortality, morbidity, persistency and interest rates relative to expected amounts used in pricing the Company s products;
- Changes in assumptions related to deferred acquisition costs and the value of business acquired;
- Regulatory, accounting or tax changes that may affect the cost of, or the demand for, the Company s products or services;
- Unanticipated changes in industry trends and ratings assigned by nationally recognized rating organizations.

The Company cannot give assurances that such statements will prove to be correct. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Consolidated Results of Operations

In the first quarter of 2005, the Company s net income increased $2.4 million versus the prior year, to a total of $8.0 million. Net income per share increased to $0.67 per share versus $0.47 per share in last year's first quarter. The largest factor in this improvement resulted from a decline in policyholder benefits. This decline was primarily due to decreased death benefits, annuity benefits, and accident and health benefits (primarily from the group product lines). Interest credited to policyholder account balances declined due to lower interest crediting rates. Insurance revenues declined primarily due to a decrease in premiums for accident and health and an increase in reinsurance ceded, which were partially offset by an increase in annuity premiums. Net investment income declined due to reduced investment yields. Finally, operating expenses declined due to the integration of GuideOne operations into the home office during 2004. Cost savings from the integration of GuideOne operations are expected to emerge over the year. These reductions were partially offset by an increase in the amortization of deferred acquisition costs.

Sales

The Company measures sales in terms of new premiums and deposits. Premiums are included in insurance revenues in the Consolidated Statements of Income, while deposits are shown in the Consolidated Statements of Cash Flows. The first set of tables below reconciles premiums included in insurance revenues and provides detail by new and renewal business. New premiums are also detailed by product. The second set of tables reconciles deposits with the Consolidated Statements of Cash Flows and provides detail by new and renewal deposits. New deposits are also detailed by product.

For the first quarter, new life and annuity premium sales increased 30%, primarily due to a 58% increase in immediate annuity premium sales and a 6% increase in new individual life premium sales. The Company has continued its emphasis on new individual life sales and anticipates growth during the year. For the first quarter, group life premium sales decreased 10% and group accident and health premiums declined 36%. The loss of a group dental case at mid-year 2004 contributed to this decline. Renewal premiums declined 1% for the first quarter.

	Quarter ended March 31			
	2005	%	2004	%
New premiums:				
Individual life insurance	$ 2,882	6	$ 2,708	9
Immediate annuities	4,538	58	2,878	(58)
Group life insurance	376			