KANSAS CITY LIFE INSURANCE CO
Form 10-Q
July 28, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015 or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-33348
KANSAS CITY LIFE INSURANCE COMPANY
(Exact name of registrant as specified in its charter)

Missouri	44-0308260
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3520 Broadway, Kansas City, Missouri	64111-2565
(Address of principal executive offices)	(Zip Code)

816-753-7000
Registrant’s telephone number, including area code
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer o Accelerated filer x
Non-accelerated filer o Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock: $1.25 par	10,634,001 shares
Class	Outstanding June 30, 2015

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KANSAS CITY LIFE INSURANCE COMPANY

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Amounts in thousands, except share data, or as otherwise noted
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	June 30 2015 (Unaudited)	December 31 2014
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value	$2,703,822	$2,726,731
Equity securities available for sale, at fair value	24,804	24,881
Mortgage loans	550,724	541,180
Real estate	179,403	181,082
Policy loans	82,537	83,553
Short-term investments	23,508	39,107
Other investments	318	462
Total investments	3,565,116	3,596,996
Cash	9,238	11,011
Accrued investment income	34,213	33,078
Deferred acquisition costs	261,836	249,195
Reinsurance recoverables	189,598	194,425
Property and equipment	16,997	17,527
Other assets	57,923	63,134
Separate account assets	403,406	406,501
Total assets	$4,538,327	$4,571,867
LIABILITIES		
Future policy benefits	$930,257	$930,761
Policyholder account balances	2,063,783	2,072,041
Policy and contract claims	31,585	37,452
Other policyholder funds	171,174	165,062
Other liabilities	208,037	217,291
Separate account liabilities	403,406	406,501
Total liabilities	3,808,242	3,829,108
STOCKHOLDERS' EQUITY		
Common stock, par value $1.25 per share		
Authorized 36,000,000 shares, issued 18,496,680 shares	23,121	23,121
Additional paid in capital	41,021	41,007
Retained earnings	850,369	838,508
Accumulated other comprehensive income	7,181	23,040
Treasury stock, at cost (2015 - 7,862,679 shares; 2014 - 7,671,475 shares)	(191,607)	(182,917)
Total stockholders’ equity	730,085	742,759
Total liabilities and stockholders’ equity	$4,538,327	$4,571,867

See accompanying Notes to Consolidated Financial Statements

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Kansas City Life Insurance Company
Consolidated Statements of Comprehensive Income

	Quarter Ended June 30		Six Months Ended June 30	
	2015 (Unaudited)	2014	2015 (Unaudited)	2014
REVENUES				
Insurance revenues:				
Net premiums	$39,842	$41,334	$80,818	$83,121
Contract charges	26,443	30,834	54,835	59,632
Total insurance revenues	66,285	72,168	135,653	142,753
Investment revenues:				
Net investment income	40,206	41,351	79,898	82,042
Net realized investment gains, excluding other-than-temporary impairment losses	2,277	784	2,249	2,449
Net impairment losses recognized in earnings:				
Total other-than-temporary impairment losses	(1,770)	(243)	(1,770)	(456)
Portion of impairment losses recognized in other comprehensive income (loss)	(155)	136	(162)	187
Net other-than-temporary impairment losses recognized in earnings	(1,925)	(107)	(1,932)	(269)
Total investment revenues	40,558	42,028	80,215	84,222
Other revenues	2,030	2,343	3,810	4,676
Total revenues	108,873	116,539	219,678	231,651
BENEFITS AND EXPENSES				
Policyholder benefits	47,804	50,153	98,146	102,907
Interest credited to policyholder account balances	18,590	19,260	37,029	38,206
Amortization of deferred acquisition costs	1,958	12,529	10,342	21,357
Operating expenses	24,965	22,113	49,083	48,733
Total benefits and expenses	93,317	104,055	194,600	211,203
Income before income tax expense	15,556	12,484	25,078	20,448
Income tax expense	4,657	3,859	7,401	6,151
NET INCOME	$10,899	$8,625	$17,677	$14,297
COMPREHENSIVE INCOME (LOSS), NET OF TAXES				
Change in net unrealized gains on securities available for sale, net of DAC and VOBA	$(33,178)	$18,908	$(17,158)	$38,273
Change in future policy benefits	4,139	(2,929)	1,150	(6,562)
Change in policyholder account balances	247	(113)	149	(244)
Other comprehensive income (loss)	(28,792)	15,866	(15,859)	31,467
COMPREHENSIVE INCOME (LOSS)	$(17,893)	$24,491	$1,818	$45,764
Basic and diluted earnings per share:				

Net income	$1.01	$0.78	$1.64	$1.30

See accompanying Notes to Consolidated Financial Statements

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Kansas City Life Insurance Company
Consolidated Statement of Stockholders' Equity

	Six Months Ended June 30, 2015 (Unaudited)
COMMON STOCK, beginning and end of period	$23,121
ADDITIONAL PAID IN CAPITAL	
Beginning of year	41,007
Excess of proceeds over cost of treasury stock sold	14
End of period	41,021
RETAINED EARNINGS	
Beginning of year	838,508
Net income	17,677
Stockholder dividends of $0.54 per share	(5,816)
End of period	850,369
ACCUMULATED OTHER COMPREHENSIVE INCOME	
Beginning of year	23,040
Other comprehensive loss	(15,859)
End of period	7,181
TREASURY STOCK, at cost	
Beginning of year	(182,917)
Cost of 190,734 shares acquired	(8,696)
Cost of 430 shares sold	6
End of period	(191,607)
TOTAL STOCKHOLDERS' EQUITY	$730,085

See accompanying Notes to Consolidated Financial Statements

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Kansas City Life Insurance Company
Consolidated Statements of Cash Flows

	Six Months Ended June 30	
	2015	2014
	(Unaudited)	
OPERATING ACTIVITIES		
Net income	$17,677	$14,297
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of investment premium and discount	2,128	2,097
Depreciation	2,802	2,240
Acquisition costs capitalized	(18,185)	(17,761)
Amortization of deferred acquisition costs	10,342	21,357
Realized investment gains	(317)	(2,180)
Changes in assets and liabilities:		
Reinsurance recoverables	4,827	(2,710)
Future policy benefits	1,265	6,202
Policyholder account balances	(10,253)	(8,135)
Income taxes payable and deferred	5,401	152
Other, net	(3,697)	305
Net cash provided	11,990	15,864
INVESTING ACTIVITIES		
Purchases:		
Fixed maturity securities	(144,176)	(194,874)
Equity securities	(8)	(89)
Mortgage loans	(62,099)	(9,592)
Real estate	(1,214)	(4,120)
Policy loans	(5,849)	(5,751)
Sales or maturities, calls, and principal paydowns:		
Fixed maturity securities	133,357	115,230
Equity securities	3	15
Mortgage loans	52,153	65,985
Real estate	9	1,999
Policy loans	6,864	6,046
Other investments	365	5,000
Net sales of short-term investments	15,599	5,052
Acquisition of property and equipment	(293)	(605)
Net cash used	(5,289)	(15,704)

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Kansas City Life Insurance Company
Consolidated Statements of Cash Flows (Continued)

	Six Months Ended June 30	
	2015	2014
	(Unaudited)	
FINANCING ACTIVITIES		
Proceeds from borrowings	$1,000	$—
Repayment of borrowings	(1,000)	—
Deposits on policyholder account balances	114,033	129,853
Withdrawals from policyholder account balances	(116,604)	(131,261)
Net transfers from separate accounts	4,564	3,791
Change in other deposits	4,025	3,792
Cash dividends to stockholders	(5,816)	(5,924)
Net change in treasury stock	(8,676)	(42)
Net cash provided (used)	(8,474)	209
Increase (decrease) in cash	(1,773)	369
Cash at beginning of year	11,011	8,197
Cash at end of period	$9,238	$8,566
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	$2,000	$6,000

See accompanying Notes to Consolidated Financial Statements

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Kansas City Life Insurance Company
Notes to Consolidated Financial Statements (Unaudited)

1. Nature of Operations and Significant Accounting Policies

Basis of Presentation

The unaudited interim consolidated financial statements and the accompanying notes include the accounts of the consolidated entity (the Company), which primarily consists of three life insurance companies. Kansas City Life Insurance Company (Kansas City Life) is the parent company. Sunset Life Insurance Company of America (Sunset Life) and Old American Insurance Company (Old American) are wholly-owned subsidiaries. The Company also has several non-insurance subsidiaries that individually and collectively are not material.

The unaudited interim consolidated financial statements have been prepared on the basis of U.S. generally accepted accounting principles (GAAP) for interim financial reporting, along with the instructions to Form 10-Q and Regulations S-K, S-X, and other applicable regulations. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. As such, these unaudited interim consolidated financial statements should be read in conjunction with the Company's 2014 Form 10-K, as amended. 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 and the results of 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 immaterial reclassifications have been made to prior period results to conform with the current period's presentation.

The preparation of the unaudited interim consolidated financial statements requires management of the Company to make estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited interim 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.

Significant Accounting Policies

For a full discussion of the Company's significant accounting policies, please refer to the Company's 2014 Form 10-K, as amended. No significant updates or changes to these policies occurred during the six months ended June 30, 2015.

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Kansas City Life Insurance Company
Notes to Consolidated Financial Statements–(Continued) (Unaudited)

2. New Accounting Pronouncements

Accounting Pronouncements Issued, Not Yet Adopted

In May 2014, the FASB issued guidance regarding accounting for revenue recognition that identifies the accounting treatment for an entity’s contracts with customers. Certain contracts, including insurance contracts, are specifically excluded from this guidance. However, certain other types of contracts may impact the financial statements of insurance providers. This guidance is effective for public entities for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently evaluating this guidance.

In August 2014, the FASB issued guidance that requires management to evaluate whether there are concerns or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued. Disclosures are required when certain criteria are met. This guidance is effective for annual periods ending after December 15, 2016. The Company is currently evaluating this guidance, but it does not believe that there will be a material impact to the consolidated financial statements.

In February 2015, the FASB issued guidance regarding the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. Under this guidance, previous consolidation conclusions may change and additional disclosures may be required. This guidance is effective for public entities for fiscal years and interim periods within those fiscal years beginning after December 15, 2015. The Company is currently evaluating this guidance.

In April 2015, the FASB issued guidance regarding a customer's accounting for fees paid in a cloud computing arrangement and whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, a customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, a customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer's accounting for service contracts. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The Company is currently evaluating this guidance, but it does not believe that there will be a material impact to the consolidated financial statements.

In May 2015, the FASB issued guidance targeted to improve disclosures related to short-duration contracts. Additional disclosures will be required about insurance liabilities to provide information regarding the nature, amount, timing, and uncertainty of future cash flows related to insurance liabilities and the effect of those cash flows on the statement of comprehensive income. This guidance is effective for public entities for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. The Company is currently evaluating this guidance.

All other new accounting standards and updates of existing standards issued through the date of this filing were considered by management and did not relate to accounting policies and procedures pertinent to the Company at this time or were not expected to have a material impact to the consolidated financial statements.

3. Prior Year Adoption of Accounting Principle

On December 31, 2014, the Company retrospectively adopted FASB Accounting Standards Update (ASU) No. 2014-01, Accounting for Investments in Qualified Affordable Housing Projects. Under ASU No. 2014-01, the Company elected to use the proportional amortization method, which requires an entity to amortize the initial cost of the investment in proportion to the tax credits and other tax benefits received and to recognize the net investment performance in the income statement as a component of income tax expense (benefit). As a result of the retrospective adoption, results previously reported in the Company's June 30, 2014 10-Q have been adjusted as follows. Income tax expense decreased $0.2 million, net income increased $0.2 million, and net income per share increased $0.01 for the quarter ended June 30, 2014. Income tax expense decreased $0.3 million, net income increased $0.3 million, and net income per share increased $0.03 for the six months ended June 30, 2014. The adoption did not impact net cash provided by operating activities for the quarter or six months ended June 30, 2014.

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Notes to Consolidated Financial Statements–(Continued) (Unaudited)

4. Investments
Fixed Maturity and Equity Securities Available for Sale
Securities by Asset Class
The following table provides amortized cost and fair value of securities by asset class at June 30, 2015.

	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$154,514	$8,285	$195	$162,604
Federal agencies [1]	19,775	1,850	—	21,625
Federal agency issued residential mortgage-backed securities [1]	39,117	4,317	2	43,432
Subtotal	213,406	14,452	197	227,661
Corporate obligations:				
Industrial	547,466	28,213	3,089	572,590
Energy	232,353	12,453	2,925	241,881
Communications and technology	243,231	13,665	1,401	255,495
Financial	235,642	16,000	1,017	250,625
Consumer	523,761	23,832	2,298	545,295
Public utilities	233,003	21,147	488	253,662
Subtotal	2,015,456	115,310	11,218	2,119,548
Corporate private-labeled residential mortgage-backed securities	81,548	3,870	8	85,410
Municipal securities	134,140	17,933	108	151,965
Other	100,737	3,446	2,209	101,974
Redeemable preferred stocks	17,455	262	453	17,264
Fixed maturity securities	2,562,742	155,273	14,193	2,703,822
Equity securities	23,527	1,664	387	24,804
Total	$2,586,269	$156,937	$14,580	$2,728,626

[1] Federal agency securities are not backed by the full faith and credit of the U.S. Government.

The following table provides amortized cost and fair value of securities by asset class at December 31, 2014.

	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value
U.S. Treasury securities and obligations of U.S. Government	$154,937	$9,939	$83	$164,793
Federal agencies [1]	19,769	2,182	—	21,951
Federal agency issued residential mortgage-backed securities [1]	44,287	4,457	2	48,742
Subtotal	218,993	16,578	85	235,486
Corporate obligations:				
Industrial	527,269	33,400	1,292	559,377
Energy	219,518	14,147	3,575	230,090
Communications and technology	226,442	16,705	242	242,905
Financial	276,586	18,826	1,083	294,329
Consumer	517,050	28,290	1,261	544,079
Public utilities	225,375	24,932	228	250,079
Subtotal	1,992,240	136,300	7,681	2,120,859
Corporate private-labeled residential mortgage-backed securities	90,819	4,463	—	95,282
Municipal securities	135,518	22,974	—	158,492
Other	98,373	3,818	2,718	99,473
Redeemable preferred stocks	17,473	379	713	17,139
Fixed maturity securities	2,553,416	184,512	11,197	2,726,731
Equity securities	23,576	1,895	590	24,881
Total	$2,576,992	$186,407	$11,787	$2,751,612

[1] Federal agency securities are not backed by the full faith and credit of the U.S. Government.

Contractual Maturities

The following table provides the distribution of maturities for fixed maturity securities available for sale. Expected maturities may differ from these contractual maturities since borrowers may have the right to call or prepay obligations.

	June 30, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$143,968	$146,832	$165,955	$168,913
Due after one year through five years	701,709	759,769	694,809	757,397
Due after five years through ten years	1,136,128	1,168,557	1,045,557	1,087,891
Due after ten years	390,651	426,283	438,719	490,976
Securities with variable principal payments	172,831	185,117	190,903	204,415
Redeemable preferred stocks	17,455	17,264	17,473	17,139
Total	$2,562,742	$2,703,822	2,553,416	2,726,731

No material derivative financial instruments were held during the first six months 2015 or 2014.

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Kansas City Life Insurance Company
Notes to Consolidated Financial Statements–(Continued) (Unaudited)

Unrealized Losses on Investments

At the end of each quarter, all securities are reviewed to determine whether impairments exist and whether other-than-temporary impairments should be recorded. This quarterly process includes an assessment of the credit quality of each investment in the entire securities portfolio. Additional reporting and review procedures are conducted for those securities where fair value is less than 90% of amortized cost. The Company prepares a formal review document no less often than quarterly of all investments where fair value is less than 80% of amortized cost for six months or more and selected investments that have changed significantly from a previous period and that have a decline in fair value greater than 10% of amortized cost. For additional information on the Company's process and considerations, as well as related accounting when other-than-temporary impairments are identified, please refer to Note 4 - Investments of the Company's 2014 Form 10-K, as amended.

The following table provides information regarding fixed maturity and equity security investments available for sale with unrealized losses by length of time at June 30, 2015.

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. Government	$21,068	$195	$100	$—	$21,168	$195
Federal agency issued residential mortgage-backed securities [1]	—	—	331	2	331	2
Subtotal	21,068	195	431	2	21,499	197
Corporate obligations:						
Industrial	108,470	2,658	5,607	431	114,077	3,089
Energy	64,309	1,962	21,117	963	85,426	2,925
Communications and technology	57,675	1,401	—	—	57,675	1,401
Financial	22,699	282	5,147	735	27,846	1,017
Consumer	85,376	1,889	8,123	409	93,499	2,298
Public utilities	16,250	282	3,790	206	20,040	488
Subtotal	354,779	8,474	43,784	2,744	398,563	11,218
Corporate private-labeled residential mortgage-backed securities	3,046	8	—	—	3,046	8
Municipal securities	3,092	108	—	—	3,092	108
Other	13,025	129	31,086	2,080	44,111	2,209
Redeemable preferred stocks	2,994	73	6,650	380	9,644	453
Fixed maturity securities	398,004	8,987	81,951	5,206	479,955	14,193
Equity securities	7,009	158	4,803	229	11,812	387
Total	$405,013	$9,145	$86,754	$5,435	$491,767	$14,580

[1] Federal agency securities are not backed by the full faith and credit of the U.S. Government.

The following table provides information regarding fixed maturity and equity security investments available for sale with unrealized losses by length of time at December 31, 2014.

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. Government	$468	$—	$4,944	$83	$5,412	$83
Federal agency issued residential mortgage-backed securities [1]	60	2	281	—	341	2
Subtotal	528	2	5,225	83	5,753	85
Corporate obligations:						
Industrial	15,289	184	42,830	1,108	58,119	1,292
Energy	40,493	1,962	36,789	1,613	77,282	3,575
Communications and technology	5,061	33	9,676	209	14,737	242
Financial	14,831	165	4,963	918	19,794	1,083
Consumer	10,991	165	40,185	1,096	51,176	1,261
Public utilities	—	—	6,768	228	6,768	228
Subtotal	86,665	2,509	141,211	5,172	227,876	7,681
Other	12,567	396	30,210	2,322	42,777	2,718
Redeemable preferred stocks	—	—	9,404	713	9,404	713
Fixed maturity securities	99,760	2,907	186,050	8,290	285,810	11,197
Equity securities	—	—	11,515	590	11,515	590
Total	$99,760	$2,907	$197,565	$8,880	$297,325	$11,787

[1] Federal agency securities are not backed by the full faith and credit of the U.S. Government.

At June 30, 2015, the Company had 166 issues in its investment portfolio of fixed maturity and equity securities with unrealized losses. Included in this total, 139 security issues were below cost for less than one year; 22 security issues were below cost for one year or more and less than three years; and five security issues were below cost for three years or more. At December 31, 2014, the Company had 96 issues in its investment portfolio of fixed maturity and equity securities with unrealized losses. Included in this total, 40 security issues were below cost for less than one year; 50 security issues were below cost for one year or more and less than three years; and six security issues were below cost for three years or more.

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Kansas City Life Insurance Company
Notes to Consolidated Financial Statements–(Continued) (Unaudited)

The following table summarizes the Company's investments in fixed maturity and equity securities available for sale with unrealized losses at June 30, 2015.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$497,002	$482,804	$14,198
Unrealized losses of 20% or less and greater than 10%	—	—	—
Subtotal	497,002	482,804	14,198
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	908	634	274
Total investment grade	908	634	274
Below investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total below investment grade	—	—	—
Unrealized losses greater than 20%	908	634	274
Subtotal	497,910	483,438	14,472
Securities owned with realized impairment:			
Unrealized losses of 10% or less	8,326	8,240	86
Unrealized losses of 20% or less and greater than 10%	110	89	21
Subtotal	8,436	8,329	107
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total investment grade	—	—	—
Below investment grade:			
Less than twelve months	1	—	1
Twelve months or greater	—	—	—
Total below investment grade	1	—	1
Unrealized losses greater than 20%	1	—	1
Subtotal	8,437	8,329	108
Total	$506,347	$491,767	$14,580

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Kansas City Life Insurance Company
Notes to Consolidated Financial Statements–(Continued) (Unaudited)

The following table summarizes the Company's investments in securities available for sale with unrealized losses at December 31, 2014.

	Amortized Cost	Fair Value	Gross Unrealized Losses
Securities owned without realized impairment:			
Unrealized losses of 10% or less	$295,543	$286,130	$9,413
Unrealized losses of 20% or less and greater than 10%	8,973	7,874	1,099
Subtotal	304,516	294,004	10,512
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	908	663	245
Total investment grade	908	663	245
Below investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total below investment grade	—	—	—
Unrealized losses greater than 20%	908	663	245
Subtotal	305,424	294,667	10,757
Securities owned with realized impairment:			
Unrealized losses of 10% or less	—	—	—
Unrealized losses of 20% or less and greater than 10%	—	—	—
Subtotal	—	—	—
Unrealized losses greater than 20%:			
Investment grade:			
Less than twelve months	3,688	2,658	1,030
Twelve months or greater	—	—	—
Total investment grade	3,688	2,658	1,030
Below investment grade:			
Less than twelve months	—	—	—
Twelve months or greater	—	—	—
Total below investment grade	—	—	—
Unrealized losses greater than 20%	3,688	2,658	1,030
Subtotal	3,688	2,658	1,030
Total	$309,112	$297,325	$11,787

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The following table provides information on fixed maturity securities with gross unrealized losses by actual or equivalent Standard & Poor's rating at June 30, 2015.

	Fair Value	% of Total		Gross Unrealized Losses	% of Total	
AAA	$16,908	4	%	$263	2	%
AA	82,990	17	%	2,781	19	%
A	139,346	29	%	3,088	22	%
BBB	216,638	45	%	7,189	51	%
Total investment grade	455,882	95	%	13,321	94	%
BB	14,250	3	%	750	5	%
B and below	9,823	2	%	122	1	%
Total below investment grade	24,073	5	%	872	6	%
	$479,955	100	%	$14,193	100	%

The following table provides information on fixed maturity securities with gross unrealized losses by actual or equivalent Standard & Poor's rating at December 31, 2014.

	Fair Value	% of Total		Gross Unrealized Losses	% of Total	
AAA	$7,953	3	%	$47	—	%
AA	37,702	13	%	1,670	15	%
A	91,299	32	%	2,840	26	%
BBB	132,230	46	%	4,580	41	%
Total investment grade	269,184	94	%	9,137	82	%
BB	13,969	5	%	1,031	9	%
B and below	2,657	1	%	1,029	9	%
Total below investment grade	16,626	6	%	2,060	18	%
	$285,810	100	%	$11,197	100	%

The Company's residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities that were rated below investment grade were 40% of the below investment grade total at June 30, 2015 and December 31, 2014.

The following table provides the distribution of maturities for fixed maturity securities available for sale with unrealized losses. Expected maturities may differ from these contractual maturities since borrowers may have the right to call or prepay obligations.

	June 30, 2015		December 31, 2014	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturity securities available for sale:				
Due in one year or less	$269	$1	$5,052	$115
Due after one year through five years	35,995	315	21,033	960
Due after five years through ten years	362,055	10,109	202,240	5,772
Due after ten years	68,606	3,306	47,740	3,635
Total	466,925	13,731	276,065	10,482
Securities with variable principal payments	3,386	9	341	2
Redeemable preferred stocks	9,644	453	9,404	713
Total	$479,955	$14,193	$285,810	$11,197

The Company does not consider these unrealized losses to be credit-related. The unrealized losses at June 30, 2015 primarily relate to changes in interest rates and market spreads subsequent to purchase. A substantial portion of investment securities that have unrealized losses are either corporate debt issued with investment grade credit ratings or other investment securities. Other investment securities include residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities. The discounted future cash flow calculation typically becomes the primary determinant of whether any portion and to what extent an unrealized loss is due to credit on loan-backed and similar asset-backed securities with significant indications of potential other-than-temporary impairment. Such indications typically include below investment grade ratings and significant unrealized losses for an extended period of time, among other factors. The Company identified 22 non-U.S. agency mortgage-backed securities that were determined to have such indications at both June 30, 2015 and December 31, 2014. A discounted future cash flow analysis was performed for each of these securities to determine if any portion of the impairment was due to credit and deemed to be other-than-temporary. This amount is recognized as a realized loss in the Company's Consolidated Statements of Comprehensive Income and the carrying value of the security is written down by the same amount. The portion of an impairment that is determined not to be due to credit is recorded as a component of accumulated other comprehensive income in the Consolidated Balance Sheets. The discount rate used in calculating the present value of future cash flows was the investment yield at the time of purchase for each security. The initial default rates were assumed to remain constant or grade down over time, reflecting the Company's estimate of stabilized collateral performance in the future for such securities.

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The following tables present the range of significant assumptions used in projecting the future cash flows of the Company's residential mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities. The Company believes that the assumptions below are reasonable and they are based largely upon the actual historical results of the underlying security collateral.

	June 30, 2015											
	Initial Default Rate				Initial Severity Rate				Prepayment Speed			
Vintage	Low		High		Low		High		Low		High	
2003	0.8	%	1.0	%	30	%	35	%	12.0	%	16.0	%
2004	0.8	%	7.0	%	35	%	68	%	8.0	%	16.0	%
2005	3.8	%	11.3	%	30	%	69	%	6.0	%	20.0	%
2006	6.4	%	8.8	%	35	%	85	%	8.0	%	16.0	%
2007	10.3	%	10.3	%	61	%	61	%	8.0	%	8.0	%

	December 31, 2014											
	Initial Default Rate				Initial Severity Rate				Prepayment Speed			
Vintage	Low		High		Low		High		Low		High	
2003	0.8	%	1.0	%	30	%	35	%	12.0	%	16.0	%
2004	0.8	%	7.0	%	35	%	65	%	8.0	%	18.0	%
2005	4.8	%	12.6	%	35	%	71	%	6.0	%	18.0	%
2006	5.7	%	8.4	%	35	%	85	%	8.0	%	16.0	%
2007	11.0	%	11.0	%	59	%	59	%	8.0	%	8.0	%

Significant unrealized losses on securities can continue for extended periods of time, particularly for certain individual securities. While this can be an indication of potential credit impairments, it can also be an indication of illiquidity in a particular sector or security. In addition, the fair value of an individual security can be heavily influenced by the complexities of varying market sentiment or uncertainty regarding the prospects for an individual security. Based upon the process described above, the Company is best able to determine if and to what extent credit impairment may exist in these securities by performing present value calculations of projected future cash flows at the conclusion of each reporting period. By reviewing the most recent data available regarding the security and other relevant industry and market factors, the Company can modify assumptions used in the cash flow projections and determine the best estimate of the portion of any impairment that is due to credit at the conclusion of each period.

The Company closely monitors its investments in securities classified as subprime. Less than 1% of the Company's total investments were in these types of investments at June 30, 2015 and December 31, 2014.

The Company also monitors structured securities through a combination of an analysis of vintage, credit ratings, and other factors. Structured securities include asset-backed, residential mortgage-backed securities, along with collateralized debt obligations, and other collateralized obligations.

Kansas City Life Insurance Company
Notes to Consolidated Financial Statements–(Continued) (Unaudited)

The following tables divide these investment types among vintage and credit ratings.

	June 30, 2015		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Residential & non-agency MBS: [1]			
Investment Grade:			
Vintage 2003 and earlier	$4,975	$4,781	$194
2004	5,998	5,739	259
Total investment grade	10,973	10,520	453
Below Investment Grade:			
Vintage 2003 and earlier	2,267	2,167	100
2004	26,601	25,432	1,169
2005	50,617	48,685	1,932
2006	2,454	1,375	1,079
2007	3,105	2,909	196
Total below investment grade	85,044	80,568	4,476
Other structured securities:			
Investment grade	60,172	60,294	(122)
Below investment grade	14,866	15,666	(800)
Total other	75,038	75,960	(922)
Total structured securities	$171,055	$167,048	$4,007

[1] This table accounts for all vintages owned by the Company.

	December 31, 2014		
	Fair Value	Amortized Cost	Unrealized Gains (Losses)
Residential & non-agency MBS: [1]			
Investment grade:			
Vintage 2003 and earlier	$8,249	$7,910	$339
2004	6,459	6,177	282
Total investment grade	14,708	14,087	621
Below investment grade:			
2004	29,647	28,080	1,567
2005	55,806	53,741	2,065
2006	3,528	2,406	1,122
2007	3,386	3,164	222
Total below investment grade	92,367	87,391	4,976
Other structured securities:			
Investment grade	57,672	57,658	14
Below investment grade	14,728	16,073	(1,345)
Total other	72,400	73,731	(1,331)
Total structured securities	$179,475	$175,209	$4,266

[1] This table accounts for all vintages owned by the Company.

The Company recognized other-than-temporary impairments on corporate private-labeled residential mortgage-backed and other securities of $0.4 million and $0.1 million for the second quarters and $0.4 million and $0.3 million for the six months ended June 30, 2015 and 2014, respectively.

The following table provides a reconciliation of credit losses recognized in earnings on fixed maturity securities held by the Company for which a portion of the other-than-temporary impairment loss was recognized in other comprehensive income (loss).

	Quarter Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Credit losses on securities held at beginning of the period	$17,891	$16,532	$17,889	$16,375
Additions for credit losses not previously recognized in other-than-temporary impairment	—	—	—	4
Additions (reductions) for increases in the credit loss for which an other-than-temporary impairment was previously recognized when there was no intent to sell the security before recovery of its amortized cost basis	1,925	107	1,932	265
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	(5)	(5)	(10)	(10)
Credit losses on securities held at the end of the period	$19,811	$16,634	$19,811	$16,634

The Company reviews and evaluates information on securities previously impaired and still owned. The identification of additional information or further deteriorations could result in additional impairments in future periods.

Realized Gains (Losses)

The following table provides detail concerning realized investment gains and losses.

	Quarter Ended June 30 2015	2014	Six Months Ended June 30 2015	2014
Gross gains resulting from:				
Sales of investment securities	$36	$433	$36	$611
Investment securities called and other	2,360	367	2,587	1,662
Real estate	3	—	3	339
Total gross gains	2,399	800	2,626	2,612
Gross losses resulting from:				
Investment securities called and other	(63)	(57)	(113)	(311)
Mortgage loans	(12)	(66)	(205)	(90)
Total gross losses	(75)	(123)	(318)	(401)
Change in allowance for loan losses	(29)	124	(38)	296
Amortization of DAC and VOBA	(18)	(17)	(21)	(58)
Net realized investment gains, excluding other-than-temporary impairment losses	2,277	784	2,249	2,449
Net impairment losses recognized in earnings:				
Other-than-temporary impairment losses on fixed maturity and equity securities	(1,770)	(243)	(1,770)	(456)
Portion of loss recognized in other comprehensive income (loss)	(155)	136	(162)	187
Net other-than-temporary impairment losses recognized in earnings	(1,925)	(107)	(1,932)	(269)
Net realized investment gains	$352	$677	$317	$2,180

Proceeds From Sales of Investment Securities

The table below details proceeds from the sale of fixed maturity and equity securities, excluding maturities and calls.

	Quarter Ended June 30 2015	2014	Six Months Ended June 30 2015	2014
Proceeds	$1,039	$8,269	$1,039	$12,643

Mortgage Loans

The Company invests in commercial mortgage loans that are secured by commercial real estate and are stated at cost, adjusted for amortization of premium and accrual of discount, less an allowance for loan losses. This allowance is maintained at a level believed by management to be adequate to absorb estimated credit losses and was $2.0 million at June 30, 2015 and $1.9 million at December 31, 2014. The Company had 15% of its total investments in commercial mortgage loans at both June 30, 2015 and December 31, 2014. In addition to the subject collateral underlying the mortgage, the Company typically requires some amount of recourse from borrowers as another potential source of repayment. The recourse requirement is determined as part of the underwriting requirements of each loan. The average loan to value ratio for the overall portfolio was 46% at both June 30, 2015 and December 31, 2014. These ratios are based upon the current balance of loans relative to the appraisal of value at the time the loan was originated or acquired.

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The following table identifies the gross mortgage loan principal outstanding and the allowance for loan losses.

	June 30 2015	December 31 2014
Principal outstanding	$552,676	$543,094
Allowance for loan losses	(1,952)	(1,914)
Carrying value	$550,724	$541,180

The following table summarizes the amount of mortgage loans held by the Company, segregated by year of origination. Purchased loans are shown in the year acquired by the Company, although the individual loans may have been initially originated in prior years.

	June 30 2015	% of Total	December 31 2014	% of Total
Prior to 2006	$37,121	8 %	$47,843	9 %
2006	15,480	3 %	16,280	3 %
2007	18,314	3 %	19,991	4 %
2008	22,193	4 %	22,938	4 %
2009	13,804	2 %	20,754	4 %
2010	40,346	7 %	51,205	9 %
2011	87,260	16 %	91,943	17 %
2012	123,692	22 %	133,912	25 %
2013	71,950	13 %	77,784	14 %
2014	59,217	11 %	60,444	11 %
2015	63,299	11 %	—	— %
Principal outstanding	$552,676	100 %	$543,094	100 %

The following table identifies mortgage loans by geographic location.

	June 30 2015	% of Total	December 31 2014	% of Total
Pacific	$128,815	23 %	$131,109	25 %
West south central	104,914	19 %	94,122	17 %
West north central	75,047	14 %	78,027	14 %
Mountain	66,105	12 %	68,961	13 %
East north central	66,530	12 %	64,013	12 %
South Atlantic	63,493	11 %	60,557	11 %
Middle Atlantic	27,926	5 %	21,877	4 %
East south central	19,846	4 %	24,428	4 %
Principal outstanding	$552,676	100 %	$543,094	100 %

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The following table identifies the concentration of mortgage loans by state greater than 5% of total.

	June 30 2015	% of Total		December 31 2014	% of Total	
California	$108,425	20	%	$108,683	20	%
Texas	100,819	18	%	89,923	16	%
Minnesota	54,026	10	%	55,916	10	%
Ohio	33,905	6	%	30,432	6	%
Florida	31,515	6	%	26,452	5	%
All others	223,986	40	%	231,688	43	%
Principal outstanding	$552,676	100	%	$543,094	100	%

The following table identifies mortgage loans by property type. The Other category consists principally of apartments and retail properties.

	June 30 2015	% of Total		December 31 2014	% of Total	
Industrial	$298,021	54	%	$281,671	51	%
Office	165,236	30	%	165,859	31	%
Medical	24,253	4	%	25,617	5	%
Other	65,166	12	%	69,947	13	%
Principal outstanding	$552,676	100	%	$543,094	100	%

The table below identifies mortgage loans by maturity.

	June 30 2015	% of Total		December 31 2014	% of Total	
Due in one year or less	$28,791	5	%	$27,607	5	%
Due after one year through five years	119,861	22	%	145,530	27	%
Due after five years through ten years	131,178	24	%	143,382	26	%
Due after ten years	272,846	49	%	226,575	42	%
Principal outstanding	$552,676	100	%	$543,094	100	%

The Company may refinance commercial mortgage loans prior to contractual maturity as a means of originating new loans that meet the Company's underwriting and pricing parameters. The Company refinanced three loans with outstanding balances totaling $2.1 million during the quarter ended June 30, 2015 and three loans with outstanding balances totaling $3.5 million during the quarter ended June 30, 2014. The Company refinanced six loans with outstanding balances of $6.7 million during the six months ended June 30, 2015 and five loans with outstanding balances totaling $6.7 million during the six months ended and June 30, 2014.

In the normal course of business, the Company generally commits to fund commercial mortgage loans up to 120 days in advance. These commitments typically have fixed expiration dates. A small percentage of commitments expire due to the borrower's failure to deliver the requirements of the commitment by the expiration date. In these cases, the Company retains the commitment fee. For additional information, please see Note 16 - Commitments.

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5. Fair Value Measurements
Under GAAP, fair value represents the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. It is the Company’s practice to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements.
The Company categorizes its financial assets and liabilities measured at fair value in three levels, based on the inputs and assumptions used to determine the fair value. These levels are as follows:
Level 1 - Valuations are based upon unadjusted quoted prices for identical instruments 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 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.
Following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value but for which fair value is disclosed.
Assets
Securities Available for Sale
Fixed maturity and equity securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon unadjusted quoted prices, if available, except as described in the subsequent paragraphs.
Cash and Short-Term Investments
Cash and short-term investments include cash and highly-liquid investments in institutional money market funds. The carrying value of cash and short-term investments approximates the fair value and are categorized as Level 1. Fair value is provided for disclosure purposes only.
Loans
The Company does not record loans at fair value. As such, valuation techniques discussed herein for loans are primarily for estimating fair value for purpose of disclosure.
Fair values of mortgage loans on real estate properties are calculated by discounting contractual cash flows, using discount rates based on current industry pricing or the Company’s estimate of an appropriate risk-adjusted discount rate for loans of similar size, type, remaining maturity, likelihood of prepayment, and repricing characteristics. Mortgage loans are categorized as Level 3 in the fair value hierarchy.
The Company also has loans made to policyholders. These loans cannot exceed the cash surrender value of the policy. Carrying value of policy loans approximates fair value. Policy loans are categorized as Level 3.
Separate Accounts
The separate account assets and liabilities, which are equal, are recorded at fair value based upon net asset value (NAV) of the underlying investment holdings as derived from closing prices on a national exchange or as provided by the issuer. This is the value at which a policyholder could transact with the issuer on the date. Separate accounts are categorized as Level 2.
Liabilities
Investment-Type Liabilities Included in Policyholder Account Balances and Other Policyholder Funds
The fair values of supplementary contracts and annuities without life contingencies are estimated to be the present value of payments at a market yield. The fair values of deposits with no stated maturity are estimated to be the amount payable on demand at the measurement date. These liabilities are categorized as Level 3. The Company has not estimated the fair value of the liabilities under contracts that involve significant mortality or morbidity risks, as these liabilities fall within the definition of insurance contracts. Insurance contracts are excluded from financial instruments

that require disclosures of fair value.

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Guaranteed Minimum Withdrawal Benefits (GMWB) Included in Other Policyholder Funds

The Company offers a GMWB rider that can be added to new or existing variable annuity contracts. The rider provides an enhanced withdrawal benefit that guarantees a stream of payments to an owner or annuitant, regardless of the contract account value. Fair value for GMWB rider contracts is a Level 3 valuation, as it is based on models which utilize significant unobservable inputs. These models require actuarial and financial market assumptions, which reflect the assumptions market participants would use in pricing the contract, including adjustments for volatility, risk, and issuer non-performance.

Determination of Fair Value

The Company utilizes external third-party pricing services to determine the majority of its fair values on investment securities available for sale. At June 30, 2015, approximately 98% of the carrying value of these investments was from external pricing services, 1% was from brokers, and 1% was derived from internal matrices and calculations. At December 31, 2014, approximately 97% of the carrying value of these investments was from external pricing services, 1% was from brokers, and 2% was derived from internal matrices and calculations. In the event that the primary pricing service does not provide a price, the Company utilizes the price provided by a second pricing service. The Company reviews prices received from service providers for reasonableness and unusual fluctuations but generally accepts the price identified from the primary pricing service. In the event a price is not available from either third-party pricing service, the Company pursues external pricing from brokers. Generally, the Company pursues and utilizes only one broker quote per security. In doing so, the Company solicits only brokers which have previously demonstrated knowledge and experience of the subject security. If a broker price is not available, the Company determines a fair value through various valuation techniques that may include discounted cash flows, spread-based models, or similar techniques, depending upon the specific security to be priced. These techniques are primarily applied to private placement securities. The Company utilizes available market information, wherever possible, to identify inputs into the fair value determination, primarily prices and spreads on comparable securities.

Each quarter, the Company evaluates the prices received from third-party security pricing services and independent brokers to ensure that the prices represent a reasonable estimate of the fair value within the macro-economic environment, sector factors, and overall pricing trends and expectations. The Company corroborates and validates the primary pricing sources through a variety of procedures that include but are not limited to comparison to additional third-party pricing services or brokers, where possible; back testing; in-depth specific analytics on randomly selected issues; and comparison of prices to actual trades for specific securities where observable data exists. In addition, the Company analyzes the primary third-party pricing service's methodologies and related inputs and also evaluates the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy. Finally, the Company also performs additional evaluations when individual prices fall outside tolerance levels when comparing prices received from third-party pricing services.

Fair value measurements for assets and liabilities where there exists limited or no observable market data are calculated using the Company’s own estimates and are categorized as Level 3. These estimates are based on current interest rates, credit spreads, liquidity premium or discount, the economic and competitive environment, unique characteristics of the asset or liability, and other pertinent factors. Therefore, these estimates cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any valuation technique. Further, changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values.

The Company’s own estimates of fair value of fixed maturity and equity securities may be derived in a number of ways, including but not limited to: 1) pricing provided by brokers, where the price indicates reliability as to value; 2) fair values of comparable securities, incorporating a spread adjustment for maturity differences, collateralization, credit quality, liquidity, and other items, if applicable; 3) discounted cash flow models and margin spreads; 4) bond yield curves; 5) observable market prices and exchange transaction information not provided by external pricing services; and 6) statement values provided to the Company by fund managers.

The fair value of the GMWB embedded derivative is calculated using a discounted cash flow valuation model that projects future cash flows under multiple risk neutral stochastic equity scenarios. The risk neutral scenarios are generated using the current swap curve and projected equity volatilities and correlations. The equity correlations are based on historical price observations. For policyholder behavior assumptions, expected lapse and utilization assumptions are used and updated for actual experience. The mortality assumption uses the 2000 US Annuity Basic Mortality Table. The present value of cash flows is determined using the discount rate curve, based upon London Interbank Offered Rate (LIBOR) plus a credit spread.

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Categories Reported at Fair Value
The following tables present categories reported at fair value on a recurring basis.

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$12,105	$150,499	$—	$162,604
Federal agencies [1]	—	21,625	—	21,625
Federal agency issued residential mortgage-backed securities [1]	—	43,432	—	43,432
Subtotal	12,105	215,556	—	227,661
Corporate obligations:				
Industrial	—	572,590	—	572,590
Energy	—	241,881	—	241,881
Communications and technology	—	255,495	—	255,495
Financial	—	250,625	—	250,625
Consumer	—	545,295	—	545,295
Public utilities	—	253,662	—	253,662
Subtotal	—	2,119,548	—	2,119,548
Corporate private-labeled residential mortgage-backed securities	—	85,410	—	85,410
Municipal securities	—	151,965	—	151,965
Other	—	101,358	616	101,974
Redeemable preferred stocks	—	17,264	—	17,264
Fixed maturity securities	12,105	2,691,101	616	2,703,822
Equity securities	5,268	19,536	—	24,804
Total	$17,373	$2,710,637	$616	$2,728,626
Percent of total	1 %	99 %	— %	100 %
Liabilities:				
Other policyholder funds				
Guaranteed minimum withdrawal benefits	$—	$—	$(4,558)	$(4,558)
Total	$—	$—	$(4,558)	$(4,558)

[1] Federal agency securities are not backed by the full faith and credit of the U.S. Government.

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	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Treasury securities and obligations of U.S. Government	$12,247	$152,546	$—	$164,793
Federal agencies [1]	—	21,951	—	21,951
Federal agency issued residential mortgage-backed securities [1]	—	48,742	—	48,742
Subtotal	12,247	223,239	—	235,486
Corporate obligations:				
Industrial	—	559,377	—	559,377
Energy	—	230,090	—	230,090
Communications and technology	—	242,905	—	242,905
Financial	—	294,329	—	294,329
Consumer	—	544,079	—	544,079
Public utilities	—	250,079	—	250,079
Subtotal	—	2,120,859	—	2,120,859
Corporate private-labeled residential mortgage-backed securities	—	95,282	—	95,282
Municipal securities	—	158,492	—	158,492
Other	—	98,714	759	99,473
Redeemable preferred stocks	—	17,139	—	17,139
Fixed maturity securities	12,247	2,713,725	759	2,726,731
Equity securities	5,347	19,534	—	24,881
Total	$17,594	$2,733,259	$759	$2,751,612
Percent of total	1 %	99 %	— %	100 %
Liabilities:				
Other policyholder funds				
Guaranteed minimum withdrawal benefits	$—	$—	$(1,094)	$(1,094)
Total	$—	$—	$(1,094)	$(1,094)

[1] Federal agency securities are not backed by the full faith and credit of the U.S. Government.

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The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized below.

	Quarter Ended June 30, 2015	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$872	$(2,843)
Included in earnings	2	(1,766)
Included in other comprehensive income (loss)	(44)	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	108
Sales	—	—
Other dispositions	(214)	(57)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$616	$(4,558)

	Six Months Ended June 30, 2015	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$759	$(1,094)
Included in earnings	2	(3,315)
Included in other comprehensive income (loss)	69	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	190
Sales	—	—
Other dispositions	(214)	(339)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$616	$(4,558)

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	Year Ended December 31, 2014	
	Assets	Liabilities
	Fixed maturity securities available for sale	GMWB
Beginning balance	$1,433	$(4,703)
Included in earnings	(12)	3,145
Included in other comprehensive income (loss)	(421)	—
Purchases, issuances, sales and other dispositions:		
Purchases	—	—
Issuances	—	592
Sales	—	—
Other dispositions	(241)	(128)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Ending balance	$759	$(1,094)

Depending upon the availability of Level 1 or Level 2 pricing, specific securities may transfer into or out of Level 3. The Company did not have any transfers between any levels at June 30, 2015 or December 31, 2014.

The Company's primary category of assets using Level 3 fair values is fixed maturity securities, totaling $0.6 million at June 30, 2015. These assets are valued using discounted cash flow models for which the significant assumptions are not observable in the market.

The following table presents the valuation method for material financial instruments included in Level 3, as well as the unobservable inputs used in the valuation of those financial instruments at June 30, 2015.

	Fair Value	Valuation Technique	Unobservable Inputs	Range
Embedded Derivative - GMWB	$(4,558)	Actuarial cash flow model	Mortality	80% of US Annuity Basic Table (2000)
			Lapse	0%-16% depending on product/duration/funded status of guarantee
			Benefit Utilization	0%-80% depending on age/duration/funded status of guarantee
			Nonperformance Risk	0.68%-1.52%

The following table presents the valuation method for material financial instruments included in Level 3, as well as the unobservable inputs used in the valuation of those financial instruments at December 31, 2014.

	Fair Value	Valuation Technique	Unobservable Inputs	Range
Embedded Derivative - GMWB	$(1,094)	Actuarial cash flow model	Mortality	80% of US Annuity Basic Table (2000)
			Lapse	0%-16% depending on product/duration/funded status of guarantee
			Benefit Utilization	0%-80% depending on age/duration/funded status of guarantee
			Nonperformance Risk	0.73%-1.35%

The GMWB liability is sensitive to changes in observable and unobservable inputs. Observable inputs include risk-free rates, index returns, volatilities, and correlations. Increases in risk-free rates and equity returns reduce the liability, while increases in volatilities increase the liability. The Company's mortality, lapse, benefit utilization and nonperformance risk adjustment are unobservable. Increases in mortality, lapses and credit spreads used for nonperformance risk reduce the liability, while increases in benefit utilization increase the liability.

The Company estimates that the impact of unobservable inputs at June 30, 2015 is as follows: a 10% increase in the mortality assumption would reduce the liability less than $0.1 million; a 10% decrease in the lapse assumption would increase the liability less than $0.1 million; a 10% increase in the benefit utilization would increase the liability $0.6 million; and a 10 basis point increase in the credit spreads used for non-performance would decrease the liability $0.2 million.

The Company estimates that the impact of unobservable inputs at December 31, 2014 is as follows: a 10% increase in the mortality assumption would reduce the liability less than $0.1 million; a 10% decrease in the lapse assumption would increase the liability $0.3 million; a 10% increase in the benefit utilization would increase the liability $0.9 million; and a 10 basis point increase in the credit spreads used for non-performance would decrease the liability $0.4 million.

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The following tables present a summary of fair value estimates for financial instruments. The Company has not included assets and liabilities that are not financial instruments in this disclosure. The total of the fair value calculations presented below may not be indicative of the value that can be obtained.

	June 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Investments:				
Fixed maturity securities available for sale	$2,703,822	$2,703,822	$2,726,731	$2,726,731
Equity securities available for sale	24,804	24,804	24,881	24,881
Mortgage loans	550,724	578,464	541,180	567,435
Policy loans	82,537	82,537	83,553	83,553
Cash and short-term investments	32,746	32,746	50,118	50,118
Separate account assets	403,406	403,406	406,501	406,501
Liabilities:				
Individual and group annuities	$1,077,379	$1,058,444	$1,080,322	$1,061,067
Supplementary contracts and annuities without life contingencies	54,075	52,838	54,949	53,744
Separate account liabilities	403,406	403,406	406,501	406,501
Other policyholder funds - GMWB	(4,558)	(4,558)	(1,094)	(1,094)

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6. Financing Receivables
The Company has financing receivables that have both a specific maturity date, either on demand or on a fixed or determinable date, and are recognized as assets in the Consolidated Balance Sheets.
The table below identifies the Company's financing receivables by classification amount.

	June 30 2015	December 31 2014
Receivables:		
Agent receivables, net (allowance $1,099; 2014 - $2,003)	$1,709	$1,727
Investment-related financing receivables:		
Mortgage loans, net (allowance $1,952; 2014 - $1,914)	550,724	541,180
Total financing receivables	$552,433	$542,907

The following table details the activity of the allowance for doubtful accounts on agent receivables. Any recoveries are included as deductions.

	June 30 2015	December 31 2014
Beginning of year	$2,003	$2,245
Additions	16	306
Deductions	(920)	(548)
End of period	$1,099	$2,003

The following table details the mortgage loan portfolio as collectively or individually evaluated for impairment.

	June 30 2015	December 31 2014
Mortgage loans collectively evaluated for impairment	$545,099	$535,398
Mortgage loans individually evaluated for impairment	7,577	7,696
Allowance for loan losses	(1,952)	(1,914)
Carrying value	$550,724	$541,180

The following table details the activity of the allowance for mortgage loan losses. Any recoveries are included as deductions.

	June 30 2015	December 31 2014
Beginning of year	$1,914	$3,251
Provision	38	—
Deductions	—	(1,337)
End of period	$1,952	$1,914

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Agent Receivables
The Company has agent receivables that are classified as financing receivables and are reduced by an allowance for doubtful accounts. These trade receivables from agents are long-term in nature and are specifically assessed as to the collectability of each receivable. The Company's gross agent receivables totaled $2.8 million at June 30, 2015 with an allowance for doubtful accounts totaling $1.1 million. Gross agent receivables totaled $3.7 million with an allowance for doubtful accounts of $2.0 million at December 31, 2014. The Company has two types of agent receivables including:

- Agent specific loans. At both June 30, 2015 and December 31, 2014, these loans totaled $1.0 million and the allowance for doubtful accounts was $0.3 million.
- Other agent receivables. Gross agent receivables in this category totaled $1.8 million, and the allowance for doubtful accounts was $0.8 million at June 30, 2015. Gross agent receivables in this category totaled $2.7 million, and the allowance for doubtful accounts was $1.7 million at December 31, 2014.

Mortgage Loans
The Company considers its mortgage loan portfolio to be long-term financing receivables. Mortgage loans are stated at cost, adjusted for amortization of premium and accrual of discount, less an allowance for loan losses. Mortgage loan interest income is recognized on an accrual basis with any premium or discount amortized over the life of the loan. Prepayment and late fees are recorded on the date of collection. Loans in foreclosure, loans considered impaired, or loans past due 90 days or more are placed on non-accrual status. Payments received on loans on non-accrual status for these reasons are applied first to interest income not collected while on non-accrual status, followed by fees, accrued and past-due interest, and principal.
If a mortgage loan is determined to be on non-accrual status, the Company does not accrue interest income into its financial statements. The loan is independently monitored and evaluated as to potential impairment or foreclosure. This evaluation includes assessing the probability of receiving future cash flows, along with consideration of many of the factors described below. If delinquent payments are made and the loan is brought current, then the Company returns the loan to active status and accrues income accordingly.
Generally, the Company considers its mortgage loans to be a portfolio segment. The Company considers its primary class to be property type. The Company primarily uses loan-to-value as its credit risk quality indicator but also monitors additional secondary risk factors, such as geographic distribution both on a regional and specific state basis. The mortgage loan portfolio segment is presented by property type in a table in Note 4 - Investments, as are geographic distributions by both region and state. These measures are also supplemented with various other analytics to provide additional information concerning potential impairment of mortgage loans and management's assessment of financing receivables.
The following tables present an aging schedule for delinquent payments for both principal and interest by property type.

		Amount of Payments Past Due			
	Book Value	30-59 Days	60-89 Days	> 90 Days	Total
June 30, 2015					
Industrial	$—	$—	$—	$—	$—
Office	—	—	—	—	—
Medical	5,339	78	—	—	78
Other	—	—	—	—	—
Total	$5,339	$78	$—	$—	$78
December 31, 2014					
Industrial	$—	$—	$—	$—	$—
Office	—	—	—	—	—
Medical	—	—	—	—	—

Other	—	—	—	—	—
Total	$—	$—	$—	$—	$—

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As of June 30, 2015, there was one mortgage loan that was over 30 days or more past due. Payment was subsequently received on this delinquent loan. As of December 31, 2014, there were no mortgage loans that were past due or were in the process of foreclosure.

Management's periodic evaluation and assessment of the adequacy of the allowance for loan losses is based on known and inherent risks in the portfolio, historical and industry data, current economic conditions, and other relevant factors. The Company assesses the amount it maintains in the mortgage loan allowance through an assessment of what the Company believes are relevant factors at both the macro-environmental level and specific loan basis. A loan is considered impaired if it is probable that contractual amounts due will not be collected. For information regarding management's periodic evaluation and assessment of mortgage loans and the allowance for loan losses, please refer to Note 6 - Financing Receivables in the Company's 2014 Form 10-K, as amended.

7. Variable Interest Entities

The Company invests in certain affordable housing and real estate joint ventures which are considered to be variable interest entities (VIEs) and are included in Real Estate in the Consolidated Balance Sheets. The assets held in affordable housing real estate joint venture VIEs are primarily residential real estate properties that are restricted to provide affordable housing under federal or state programs for varying periods of time. The restrictions primarily apply to the rents that may be paid by tenants residing in the properties during the term of an agreement to remain in the affordable housing program. Investments in affordable housing real estate joint ventures are equity interests in partnerships or limited liability companies that may or may not participate in profits or residual value. The Company's investments in these entities generate a return primarily through the realization of federal and state income tax credits and other tax benefits, such as tax deductions from operating losses of the investments, over specified time periods. The Company amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the Consolidated Statements of Comprehensive Income as a component of income tax expense. The tax credits are recognized as a reduction of tax expense. The Company realized federal income tax credits related to these investments of $0.7 million for the second quarters and $1.4 million for the six months ended both June 30, 2015 and 2014. The Company also recognized $0.4 million and $0.2 million of amortization related to these investments for the second quarters and $0.8 million and $0.6 million for the six months ended June 30, 2015 and 2014, respectively. The Company's investments in other real estate VIEs are recorded using the equity method. Cash distributions from the VIE and cash contributions to the VIE are recorded as decreases or increases, respectively, in the carrying value of the VIE. Certain other equity investments in VIEs, where permitted, are recorded on an amortized cost basis. The operating performance of investments in the VIE is recorded in the Consolidated Statements of Comprehensive Income as investment income or as a component of income tax expense, depending upon the nature and primary design of the investment. The Company evaluates the carrying value of VIEs for impairment on an ongoing basis to assess whether the carrying value is expected to be realized during the anticipated life of the investment. In certain cases, the Company may issue fixed-rate senior mortgage loan investments secured by properties controlled by VIEs. These investments are classified as mortgage loans in the Consolidated Balance Sheets, and the income received from such investments is recorded as investment income in the Consolidated Statements of Comprehensive Income.

Investments in the affordable housing and real estate joint ventures are interests that will absorb portions of the VIE's expected losses or receive portions of expected residual returns of the VIE's net assets exclusive of variable interests. The Company makes an initial assessment of whether it is the primary beneficiary of a VIE at the time of the initial investment and on an ongoing basis thereafter. The Company considers many factors when making this determination based upon a review of the underlying investment agreement and other information related to the specific investment. The first factor is whether the Company has the ability to direct the activities of a VIE that most significantly impact the VIE's economic performance. The power to direct the activities of the VIE is generally vested in the managing general partner or managing member of the VIE, which is not the position held by the Company in these investments. Other factors include the entity's equity investment at risk, decision-making abilities, obligations to absorb economic risks, the right to receive economic rewards of the entity, and the extent to which the Company shares in the VIE's expected losses and residual returns.

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The following table presents the carrying amount and maximum exposure to loss relating to VIEs for which the Company holds a variable interest, but is not the primary beneficiary, and which had not been consolidated at June 30, 2015 and December 31, 2014. The table includes investments in five real estate joint ventures and 23 affordable housing real estate joint ventures at both June 30, 2015 and December 31, 2014.

	June 30 2015		December 31 2014	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Real estate joint ventures	$21,384	$21,384	$21,415	$21,415
Affordable housing real estate joint ventures	12,744	54,246	13,153	54,028
Total	$34,128	$75,630	$34,568	$75,443

The maximum exposure to loss relating to the real estate joint ventures and affordable housing real estate joint ventures, as shown in the table above, is equal to the carrying amounts plus any unfunded equity commitments, exposure to potential recapture of tax credits, guarantees of debt, or other obligations of the VIE with recourse to the Company. Unfunded equity and loan commitments typically require financial or operating performance by other parties and have not yet become due or payable but which may become due in the future.

At June 30, 2015 and December 31, 2014, the Company had no mortgage loan or equity commitments outstanding to the real estate joint venture VIEs. The Company has contingent commitments to fund additional equity contributions for operating support to certain real estate joint venture VIEs, which could result in additional exposure to loss. However, the Company is not able to quantify the amount of these contingent commitments.

In addition, the maximum exposure to loss on affordable housing joint ventures at June 30, 2015 and December 31, 2014 included $28.8 million and $27.7 million, respectively, of losses which could be realized if the tax credits received by the VIEs were recaptured. Recapture events would cause the Company to reverse some or all of the benefit previously recognized by the Company or third parties to whom the tax credit interests were transferred. A recapture event can occur at any time during a 15-year required compliance period. The principal causes of recapture include financial default and non-compliance with affordable housing program requirements by the properties controlled by the VIE. The potential exposure due to recapture may be mitigated by guarantees from the managing member or managing partner in the VIE, insurance contracts, or changes in the residual value accruing to the Company's interests in the VIEs.

8. Separate Accounts

Separate account assets and liabilities arise from the sale of variable universal life insurance and variable annuity products. The separate account represents funds segregated for the benefit of certain policyholders who bear the investment risk. The assets are legally segregated and are not subject to claims which may arise from any other business of the Company. The separate account assets and liabilities, which are equal, are recorded at fair value based upon NAV of the underlying investment holdings as derived from closing prices on a national exchange or as provided by the issuer. Policyholder account deposits and withdrawals, investment income, and realized investment gains and losses are excluded from the amounts reported in the Consolidated Statements of Comprehensive Income. Revenues to the Company from separate accounts consist principally of contract charges, which include maintenance charges, administrative fees, and mortality and expense charges.

The Company has a guaranteed minimum withdrawal benefit (GMWB) rider that can be added to new or existing variable annuity contracts. The value of the separate accounts with the GMWB rider is recorded at fair value of $126.8 million at June 30, 2015 (December 31, 2014 - $132.3 million). The GMWB guarantee liability was $(4.6) million at June 30, 2015 (December 31, 2014 - $(1.1) million). The change in this value is included in policyholder benefits in the Consolidated Statements of Comprehensive Income. The value of variable annuity separate accounts with the GMWB rider is recorded in separate account liabilities, and the value of the rider is included in other policyholder

funds in the Consolidated Balance Sheets.
The Company has two blocks of variable universal life policies and variable annuity contracts from which the Company receives fees. The fees are based upon both specific transactions and the fund value of the blocks of policies. The Company has a direct block of ongoing business identified in the Consolidated Balance Sheets as separate account assets, totaling $403.4 million at June 30, 2015 and $406.5 million at December 31, 2014, and corresponding separate account liabilities of an equal amount. In addition, the Company has an assumed closed block of business that is recorded in the Company's financial statements in accordance with modified coinsurance accounting for variable insurance business. This block of separate account fund balances totaled $312.7

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million at June 30, 2015 and $318.1 million at December 31, 2014. The Company also records separate accounts invested in the general account for the direct block of business. In addition, in accordance with coinsurance reinsurance transaction accounting, the Company also records the assumed block of fixed accounts under its general account. The future policy benefits for the direct block approximated $0.5 million and $0.4 million at June 30, 2015 and December 31, 2014, respectively. The future policy benefits for the assumed block approximated $0.6 million at both June 30, 2015 and December 31, 2014.

9. Notes Payable

The Company had no notes payable at June 30, 2015 or December 31, 2014.

As a member of the Federal Home Loan Bank of Des Moines (FHLB) with a capital investment of $4.9 million at June 30, 2015, the Company has the ability to borrow on a collateralized basis from the FHLB. The Company received an insignificant amount of dividends on the capital investment in both the second quarters and six months of 2015 and 2014.

The Company had unsecured revolving lines of credit of $70.0 million with two major commercial banks with no balances outstanding at June 30, 2015 or December 31, 2014. The lines of credit are at variable interest rates based upon short-term indices, and will mature in June of 2016. The Company anticipates renewing these lines of credit as they come due.

10. Income Taxes

The following table provides a reconciliation of the federal income tax rate to the Company's effective income tax rate for the second quarters and for the six months ended June 30, 2015 and 2014, respectively.

	Quarter Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Federal income tax rate	35 %	35 %	35 %	35 %
Tax credits, net of equity adjustment	(3)%	(3)%	(3)%	(4)%
Permanent differences	(2)%	(1)%	(2)%	(1)%
Effective income tax rate	30 %	31 %	30 %	30 %

The Company had uncertain tax positions of $0.1 million at both June 30, 2015 and December 31, 2014.

At June 30, 2015, the Company had a current tax liability of $2.4 million and a $67.3 million net deferred tax liability, compared to a $2.3 million current tax asset and a $75.9 million net deferred tax liability at December 31, 2014.

11. Pensions and Other Postemployment Benefits (OPEB)

The following tables provide the components of net periodic benefit cost.

	Pension Benefits Quarter Ended June 30		OPEB Quarter Ended June 30	
	2015	2014	2015	2014
Service cost	$—	$—	$171	$153
Interest cost	1,356	1,550	351	374
Expected return on plan assets	(2,480)	(2,580)	—	—
Amortization of:				
Unrecognized actuarial net loss	601	430	118	21
Unrecognized prior service credit	—	—	(287)	(286)
Net periodic benefit cost (credit)	$(523)	$(600)	$353	$262

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	Pension Benefits Six Months Ended June 30		OPEB Six Months Ended June 30	
	2015	2014	2015	2014
Service cost	$—	$—	$342	$306
Interest cost	2,712	3,101	702	749
Expected return on plan assets	(4,960)	(5,161)	—	—
Amortization of:				
Unrecognized actuarial net loss	1,201	859	236	43
Unrecognized prior service credit	—	—	(574)	(573)
Net periodic benefit cost (credit)	$(1,047)	$(1,201)	$706	$525

12. Share-Based Payment

The Company has a long-term incentive plan for senior management that provides a cash award to participants for the increase in the share price of the Company's common stock through units (phantom shares) assigned by the Board of Directors. The cash award is calculated over a three-year interval on a calendar year basis. At the conclusion of each three-year interval, participants will receive a cash award based on the increase in the share price during a defined measurement period, multiplied by the number of units attributable to each participant. The increase in the share price is determined based on the change in the share price from the beginning to the end of the three-year interval. Amounts representing dividends are accrued and paid at the end of each three-year interval to the extent that they exceed negative stock price appreciation. Plan payments are contingent on the continued employment of the participant unless termination is due to a qualifying event such as death, disability, or retirement. In addition, all payments are lump sum with no deferrals allowed. The Company does not make any material payments in shares, warrants, or options.

During the first six months of both 2015 and 2014, the plan made cash payments totaling $3.8 million. No payments were made during the second quarters of 2015 or 2014.

At each reporting period, an estimate of the share-based compensation expense is accrued, utilizing the share price at the period end. The cost of share-based compensation accrued as an operating expense in the second quarters of 2015 and 2014 was less than $0.1 million and $0.4 million, net of tax, respectively. The change in accrual for share-based compensation reduced operating expense for the six months ended June 30, 2015 in the amount of $0.1 million. The cost of share-based compensation accrued as an operating expense for the six months ended June 30, 2014 was $0.1 million.

13. 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 reclassifications for realized investment gains or losses) net of adjustments to deferred acquisition costs (DAC) and value of business acquired (VOBA), future policy benefits, and policyholder account balances (including deferred revenue liability). In addition, other comprehensive income (loss) includes the change in the liability for benefit plan obligations. Other comprehensive income (loss) reflects these items net of tax.

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The tables below provide information about comprehensive income (loss).

	Quarter Ended June 30, 2015		
	Pre-Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount
Net unrealized gains (losses) arising during the period:			
Fixed maturity securities	$(57,702)	$(20,196)	$(37,506)
Equity securities	(420)	(147)	(273)
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	2,334	817	1,517
Other-than-temporary impairment losses recognized in earnings	(1,770)	(619)	(1,151)
Other-than-temporary impairment gains recognized in other comprehensive income (loss)	(155)	(55)	(100)
Net unrealized losses excluding impairment losses	(58,531)	(20,486)	(38,045)
Effect on DAC and VOBA	7,488	2,621	4,867
Future policy benefits	6,369	2,230	4,139
Policyholder account balances	379	132	247
Other comprehensive loss	$(44,295)	$(15,503)	(28,792)
Net income			10,899
Comprehensive loss			$(17,893)

	Quarter Ended June 30, 2014		
	Pre-Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount
Net unrealized gains (losses) arising during the period:			
Fixed maturity securities	$31,332	$10,967	$20,365
Equity securities	660	231	429
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	662	232	430
Other-than-temporary impairment losses recognized in earnings	(243)	(84)	(159)
Other-than-temporary impairment gains recognized in other comprehensive income (loss)	136	47	89
Net unrealized gains excluding impairment losses	31,437	11,003	20,434
Effect on DAC and VOBA	(2,348)	(822)	(1,526)
Future policy benefits	(4,507)	(1,578)	(2,929)
Policyholder account balances	(174)	(61)	(113)
Other comprehensive income	$24,408	$8,542	15,866
Net income			8,625
Comprehensive income			$24,491

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	Six Months Ended June 30, 2015		
	Pre-Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount
Net unrealized gains (losses) arising during the period:			
Fixed maturity securities	$(31,714)	$(11,101)	$(20,613)
Equity securities	(27)	(9)	(18)
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	2,454	859	1,595
Other-than-temporary impairment losses recognized in earnings	(1,770)	(619)	(1,151)
Other-than-temporary impairment losses recognized in other comprehensive income (loss)	(162)	(57)	(105)
Net unrealized losses excluding impairment losses	(32,263)	(11,293)	(20,970)
Effect on DAC and VOBA	5,865	2,053	3,812
Future policy benefits	1,770	620	1,150
Policyholder account balances	229	80	149
Other comprehensive loss	$(24,399)	$(8,540)	(15,859)
Net income			17,677
Comprehensive income			$1,818

	Six Months Ended June 30, 2014		
	Pre-Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount
Net unrealized gains (losses) arising during the period:			
Fixed maturity securities	$65,574	$22,951	$42,623
Equity securities	1,594	558	1,036
Less reclassification adjustments:			
Net realized investment gains, excluding impairment losses	1,505	527	978
Other-than-temporary impairment losses recognized in earnings	(456)	(159)	(297)
Other-than-temporary impairment gains recognized in other comprehensive income (loss)	187	65	122
Net unrealized gains excluding impairment losses	65,932	23,076	42,856
Effect on DAC and VOBA	(7,051)	(2,468)	(4,583)
Future policy benefits	(10,096)	(3,534)	(6,562)
Policyholder account balances	(375)	(131)	(244)
Other comprehensive income	$48,410	$16,943	31,467
Net income			14,297
Comprehensive income			$45,764

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The following table provides accumulated balances related to each component of accumulated other comprehensive income at June 30, 2015, net of tax.

	Unrealized Gain (Loss) on Non-Impaired Securities	Unrealized Gain (Loss) on Impaired Securities	Benefit Plan Obligations	DAC/ VOBA Impact	Future Policy Benefits	Policyholder Account Balances	Total
Beginning of year	$ 110,362	$ 3,141	$(53,964)	$(18,521)	$(17,406)	$(572)	$23,040
Other comprehensive income (loss) before reclassification	(22,897)	1,588	—	3,826	1,150	149	(16,184)
Amounts reclassified from accumulated other comprehensive income	1,595	(1,256)	—	(14)	—	—	325
Net current-period other comprehensive income (loss)	(21,302)	332	—	3,812	1,150	149	(15,859)
End of period	$ 89,060	$ 3,473	$(53,964)	$(14,709)	$(16,256)	$(423)	$7,181

The following table presents the pre-tax and the related income tax expense (benefit) components of the amounts reclassified from the Company's accumulated other comprehensive income to the Company's Consolidated Statements of Comprehensive Income.

	Quarter Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Reclassification adjustments related to unrealized gains (losses) on investment securities:				
Having impairments recognized in the Consolidated Statements of Comprehensive Income [1]	$2,334	$662	$2,454	$1,505
Income tax expense [2]	(817)	(232)	(859)	(527)
Net of taxes	1,517	430	1,595	978
Having no impairments recognized in the Consolidated Statements of Comprehensive Income [1]	(1,925)	(107)	(1,932)	(269)
Income tax benefit [2]	674	37	676	94
Net of taxes	(1,251)	(70)	(1,256)	(175)
Reclassification adjustment related to DAC and VOBA [1]	(18)	(17)	(21)	(58)
Income tax benefit [2]	6	6	7	20
Net of taxes	(12)	(11)	(14)	(38)
Total pre-tax reclassifications	391	538	501	1,178
Total income tax expense	(137)	(189)	(176)	(413)
Total reclassification, net taxes	$254	$349	$325	$765

[1] (Increases) decreases net realized investment gains (losses) on the Consolidated Statements of Comprehensive Income.
[2] (Increases) decreases income tax expense (benefit) on the Consolidated Statements of Comprehensive Income.

14. Earnings 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 average number of shares outstanding for the quarters ended June 30, 2015 and 2014 was 10,707,363 and 10,967,910, respectively. The average number of shares outstanding for the six months ended June 30, 2015 and 2014 was 10,754,922 and 10,968,182, respectively. The number of shares outstanding at June 30, 2015 and December 31, 2014 was 10,634,001 and 10,825,205 respectively.

15. Segment Information