

## Career Contract Benefits

### Non-Qualified Non-Contributory Deferred Compensation Plan

The Non-Qualified Non-Contributory Plan is where Kansas City Life makes a contribution to an agents Wells Fargo account. Qualification for a contribution is based on calendar year production. If an agent meets the production requirement, they will get a contribution to their account in the following February from the qualifying calendar year.

Website: <https://www.wellsfargo.com/retirementplan>

#### Contract Requirements

25 Paid Polices\*                      \$36,000 NAFYC

\*The application requirement may be waived if NAFYC exceeds certain levels.

Persistency Requirement: To qualify for the persistency requirement, your “bonus” must be at least 82%.

The Company contribution:

Earned First Year Commission	Contribution
\$36,000-49,999	\$1,500 + 15% of excess over minimum production (\$36,000 paid NAFYC) requirement
\$50,000-74,999	\$1,500 + 18% of excess over minimum production (\$36,000 paid NAFYC) requirement
\$75,000 +	\$1,500 + 20% of excess over minimum production (\$36,000 paid NAFYC) requirement

#### Open Enrollment

If an agent has qualified or is close to qualifying, they will receive a package from Kansas City Life & Wells Fargo in November of each year to help them complete the Open Enrollment process. Open Enrollment is completed online through the Wells Fargo portal.

## **Career Contract Benefits**

### **Non-Qualified Non-Contributory Deferred Compensation Plan**

#### **Pre-2005 Account Balance Distribution Options**

If an agent is 100% vested in their account balance, then they can take a distribution from their account on the following birthdays – 55, 60, 62, 65 or 68. The agent must notify the Marketing Finance & Benefits Specialist at least 60 days in advance of these birthdays.

Education Withdrawals are permissible for your child's education.

Withdrawal for the Purchase of a Primary Residence is also permissible.

#### **Vesting Schedules**

Year 1	0%
Year 2	0%
Year 3	30%
Year 4	40%
Year 5	50%
Year 6	60%
Year 7	70%
Year 8	80%
Year 9	90%
Year 10	100%

Vesting is based on Qualifying years.

# Career Contract Benefits

## Non-Qualified Contributory Plan

The Non-Qualified Contributory Plan allows agents to defer 1-15% of their commissions. Kansas City Life matches 50% up to a maximum of 2.5% (5% agent deferral to receive full company match) of agent's deferrals. Once the election is made it is in effect for the entire calendar year.

Website: <https://www.wellsfargo.com/retirementplan>

## Contract Requirements

25 Paid Polices\*                      \$36,000 NAFYC

\*The application requirement may be waived if NAFYC exceeds certain levels.

Persistency Requirement: To qualify for the persistency requirement, your "bonus" must be at least 82%.

## Open Enrollment

If an agent has qualified or is close to qualifying, they will receive a package from Kansas City Life & Wells Fargo in November of each year to help them complete the Open Enrollment process. Open Enrollment is completed online through the Wells Fargo portal.

If an agent does not complete the Open Enrollment process, they will not be able to participate in the Non-Qualified Contributory Deferred Compensation Plan for the next year. The next opportunity they will have to participate is if they have enough production to qualify them for participating in the next calendar year.

## Pre-2005 Account Balance Distribution Options

If an agent is 100% vested in their account balance, then they can take a distribution from their account on the following birthdays – 55, 60, 62, 65 or 68. The agent must notify the Marketing Finance & Benefits Specialist at least 60 days in advance of these birthdays.

Education Withdrawals are permissible for your child's education.

Withdrawal for the Purchase of a Primary Residence is also permissible.

## **Career Contract Benefits**

### **Non-Qualified Contributory Deferred Compensation Plan**

#### **Vesting Schedules**

Year 1	0%
Year 2	0%
Year 3	30%
Year 4	40%
Year 5	50%
Year 6	60%
Year 7	70%
Year 8	80%
Year 9	90%
Year 10	100%

Vesting is based on Qualifying years.

## Career Contract Benefits

### Group Life

Kansas City Life offers agents the ability to qualify for Group Life insurance coverage. Qualification is based on calendar year production. Agents that qualified in the previous calendar year will receive a letter with their coverage amount in April 1 of the following year.

Contract Requirements	\$30,000 NAFYC
NAFYC	Coverage Amounts
30,000	\$20,000
33,000	\$30,000
36,000	\$40,000
40,000	\$50,000

PDF of Group Life Beneficiary Form

### Long Term Disability

Kansas City Life offers agents the ability to qualify for Long Term Disability coverage. Qualification is based on calendar year production. Agents that qualified in the previous calendar year will receive an election letter in March and coverage will begin April 1 of the following year.

#### Contract Requirements

\$30,000 NAFYC & 25 Paid Policies\*

*\*The application requirement may be waived if NAFYC exceeds certain levels*

#### Coverage Overview

Percent of earnings	60% Monthly
Maximum	\$5,000
Benefit Duration	To age 65 with Reducing Benefit available if older than age 65

Definition of Earnings: Earned individual first-year commission averaged over a three- year period or date of first production, whichever is earlier.



KANSAS CITY LIFE

Without you – our valued **AGENTS** – no one would know about our products or services. You are Kansas City Life Insurance Company to our customers. You are worth the best compensation that we can provide for representing us so well.

One of the best features of insurance sales is being paid for **your success and writing your own story**. And, of course, your success grows with every policy you sell. It's our job to ensure that your commissions, bonuses and fringe benefits reflect your value to our organization.

In the following pages, you will see a compensation package designed to strengthen the link between pay and successful performance. Plus you'll learn how the Kansas City Life package compares favorably with the industry's best plans. We'll explain how our plan works and what you need to qualify for the benefits offered by Kansas City Life.

This package represents a committed long-term relationship between Kansas City Life and **you** – the agents who are so vitally important to our mutual success.

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## Chapter 1: Commission Details

Right from the start, your earning power grows with Kansas City Life's commission schedule. With both life and annuity plans, you earn a percent of the premium paid beginning in year 1 as well as earning an asset-based trail commission. Besides earning an immediate reward for the sale, keeping business in force rewards you as well. In the years that follow, your good service to your clients pays off in more than goodwill and future business – you'll receive renewal commissions and service fees. Plus, if you sell Kansas City Life Group products, you receive commission benefits from those sales as well through a percent of premium. Review this critical link between performance and pay.

- **Commission Schedule – Life Plans**
- **Commission Schedule – Annuity Plans**
- **Group Commission Schedule**
- **Commission Examples**
- **Commission Adjustments**
- **Commission Reversals**
- **Commission on Internal Replacements and Conversions**

## Commission Schedule – Life Plans

	Renewals Years 2-10 <sup>d</sup>	Service Fees <sup>d, e</sup>		
		Years 2-10	Years 11+	Asset Trail <sup>f</sup>
UL and IUL				
SuperNOVA	1.00%	1.00%	1.00%	
Life Protector	1.00%	1.00%	1.00%	
FlexWealth Advantage <sup>a</sup>	1.00%	1.00%	0.00%	0.20% yrs 8+
EquiFlex <sup>b</sup>	1.00%	1.00%	1.00%	
TERM				
Level 10, Level 15, Level 20 & Level 30 <sup>c</sup>	1.00%	1.00%	1.00%	
Level 10, Level 15, Level 20 & Level 30 Advantage <sup>c</sup>	0.00%	0.00%	0.00%	
ChoiceTerm 20 <sup>c</sup>	0.00%	0.00%	0.00%	
Cashback Life 20 & 30	1.00%	1.00%	1.00%	
TRADITIONAL				
Value Assured Whole Life	1.00%	1.00%	1.00%	
Gift of Life	1.00%	1.00%	1.00%	

- a For FlexWealth Advantage policies with a specified amount of \$25,000 or more, the 2nd year commission rate is 20% up to the target premium.
- b We will pay full first year commission on premiums paid during the first 24 months up to the commissionable target premium established at time of issue. We will not apply a rolling target to commission paid for specified amount increases at later durations.
- c No commission payable on policy fee for Select Term Series or ChoiceTerm 20.
- d Renewal and service fee commission shown ends at year 7 for plans with asset trail in years 8+ (currently FlexWealth Advantage).
- e Qualification requirements for service fees are set by Kansas City Life and may be changed at any time. Service fees are only payable if qualification requirements are met. The current requirements are: contract in force, actively servicing the policy, in good standing with the Company and have at least \$5,000 Rolling 12-Month NAFYC.
- f Asset trail commission is paid based upon the unloaned contract value in force at the end of the quarter, beginning in the first quarter of the year indicated. The quarterly trail percentage is 1/4th of the annual amount shown.

**First year commission schedule is shown in your contract.**

## Commission Schedule – Annuity Plans

	Renewals Years 2-7	Service Fees <sup>c</sup>	
		Years 8+	Asset Trail <sup>d</sup>
<b>Fixed Deferred<sup>a</sup></b>			
GrowthTrack <sup>b</sup>	3.00%	2.00%	0.20% yrs 2+
SelecTrack 5			0.40% yrs 6+
SelecTrack 7			0.40% yrs 8+
SelecTrack 10			0.40% yrs 11+
SecurityTrack	3.00%	2.00%	0.20% yrs 8+

- a If during the first policy year, a deferred annuity transfers the accumulated value to a period certain SPIA, the commission that was paid on the deferred annuity is adjusted to equal the amount paid on the corresponding SPIA.
- b The first year commission rate is adjusted for policies with an issue age above age 80.
- c Qualification requirements for service fees are set by Kansas City Life and may be changed at any time. Service fees are only payable if qualification requirements are met. The current requirements are: contract in force, actively servicing the policy, in good standing with the Company and have at least \$5,000 Rolling 12-Month NAFYC.
- d Asset trail commission is paid based upon the unloaned contract value in force at the end of the quarter, beginning in the first quarter of the year indicated. The quarterly trail percentage is 1/4th of the annual amount shown.

**First year commission schedule is shown in your contract.**

## Group Commission Schedule

	Percent of Premium
<b>Group</b>	
<b>Life</b>	
Annual Premiums:	
First \$5,000	12.00%
Next \$5,000	8.00
Next \$10,000	6.00
Next \$30,000	3.00
Next \$50,000	1.20
Excess over \$100,000	0.60
<b>Short Term Disability</b>	
Annual Premiums:	
First \$5,000	12.00
Next \$5,000	8.00
Next \$10,000	6.00
Next \$30,000	3.00
Next \$50,000	1.20
Excess over \$100,000	0.60
<b>Long Term Disability</b>	
Annual Premiums:	
First \$15,000	15.00
Next \$10,000	10.00
Next \$25,000	5.00
Excess over \$50,000	1.00
<b>Dental</b>	
Annual Premiums:	
First \$5,000	10.00
Next \$5,000	8.00
Next \$10,000	6.00
Next \$30,000	4.00
Next \$50,000	2.00
Excess over \$100,000	1.00
<b>Voluntary Life/Voluntary Disability</b>	
Flat Commission	15.00
<b>Voluntary Dental/Go2 Dental</b>	
Flat Commission	10.00
<b>Vision/Voluntary Vision/Go2 Vision</b>	
Flat Commission	10.00
<b>Go2 Life/Go2 Short Term Disability/Go2 LTD</b>	
Flat Commission	15.00

## Commission Examples

### Term Example

A client is interested in purchasing a \$300,000 Level 20 Term policy with an annual premium of \$1,000. Based on a first year agent commission rate of 60 percent, the first year commission paid to the agent will be \$540.

Commissionable Premium	\$900	Annual premium of \$1,000 less the non-commissionable policy fee of \$100
	<u>X 60%</u>	Commission rate
<b>First Year Agent Commission</b>	<b>\$540</b>	

### Universal Life Example

A client is interested in a purchasing a \$100,000 SuperNOVA Universal Life policy with an annual target premium of \$2,000. In the first year, the client pays \$3,000. Based on a first year agent commission rate of 65 percent and an excess commission rate of 2 percent, the first year commission paid to the agent is \$1,320.

Target Commissionable Premium	\$2,000	Target premium of \$2,000
	<u>X 65%</u>	Commission rate
Target First Year Commission	\$1,300	
Excess Commissionable Premium	\$1,000	Annual premium of \$3,000 less the target premium of \$2,000
	<u>X 2%</u>	Excess commission rate
Excess First Year Commission	\$20	
<b>First Year Commission</b>	<b>\$1,320</b>	

### Term Conversion Example

A client is interested in converting a \$200,000 Level 20 Term policy (in its fifth policy year) to a new \$200,000 SuperNOVA Universal Life policy. The Level 20 Term annual premium is \$300 and the SuperNOVA target premium is \$1,200. Kansas City Life applies a conversion credit to the SuperNOVA policy of \$120 or 40 percent of the \$300 Level 20 Term annual premium. The SuperNOVA target premium is reduced to \$1,080 (\$1,200 target minus the \$120 conversion credit). The planned \$1,200 premium for the SuperNOVA is paid in the first year, and the agent is paid first year commission \$1,080 target and excess commission on the additional \$120 of premium. No commissions are paid on the conversion credit.

## Commission Adjustments

Kansas City Life may pay reduced commissions on any policy due to:

1. Reinsurance requirements
2. Older ages of insured
3. Risk classification
4. Size of policy (typically any policy with more than \$5 million of face amount or \$250,000 of premium)
5. A new policy when an old policy issued by Kansas City Life or an affiliated company on the same insured terminates, reduces coverage or a withdrawal or loan is taken.
6. An existing policy that terminates, reduces coverage or a withdrawal or loan is taken.

No commission or service fees will be paid on any deposits received in excess of \$250,000 for any fixed annuity policy with a 3- or 4-percent interest guarantee (or when the owner has multiple fixed annuities and the total premium paid exceeds \$250,000). Kansas City Life reserves the right to reduce first year commissions, renewal commissions and service fees paid on any annuity in which the total premium paid is more than \$250,000 without prior Company approval (or when the owner has multiple fixed annuities and the total premium paid exceeds \$250,000 without prior Company approval).

No commissions will be paid on:

1. Premiums for temporary insurance
2. Extra premiums (flat extras, etc.) payable for nine years or less
3. Premiums that are waived under a policy provision
4. Premiums paid in advance until they are applied as current premiums
5. Premiums paid after a partial surrender. If subsequent premium is received in excess of the partial surrender, commissions or service fees may be paid.

Kansas City Life will pay pro-rated commissions on policies sold jointly by one or more agents.

Kansas City Life will be repaid on demand for any amounts (a) paid on premiums that have been refunded, or (b) paid on a new policy when an old policy issued by Kansas City Life or an affiliated company on the same insured terminates.

## Commission Reversals

### Term

If a Select Term Series product (Level 10, 15, 20 or 30 and Level 10, 15, 20 or 30 Advantage) or ChoiceTerm 20 terminates in the first 12 months, a full reversal of all commissions occurs.

If a Cashback Life policy terminates in the first six months, a full reversal of all commissions occurs. If the policy lapses in the first policy year with more than six months paid, one-half of commission paid is reversed.

### Whole Life

If a whole life policy terminates during the first policy year with only one month's premium paid, a full reversal of all commissions occurs.

### Universal Life

A full commission reversal is assessed on a universal life policy that lapses in the first month.

If a UL policy that has no loans or partial withdrawals lapses during the first policy year but after the first month, the agent is paid for the number of months the policy was in force. If a UL policy that has loans or partial withdrawals lapses during the first policy year but after the first month, commissions are adjusted.

If a policy loan or partial withdrawal is taken on a policy in the first 12 months, the commission paid is adjusted. A reversal is made on any commission paid on premium received and if necessary, adjusted cash value, up to the policy loan or partial withdrawal taken. If the amount of the loan or partial withdrawal is repaid in the first policy year, these commissions are reapplied. If the loan or partial withdrawal is repaid after the first policy year, applicable commissions on the amount is paid.

We reserve the right to adjust commissions on policies with significant early duration specified amount decreases.

**Century II Accumulator Variable Universal Life** – If an Accumulator Variable Universal Life policy lapses in the first six months, 100 percent of earned commissions are reversed. If the policy lapses in the second six months, 50 percent of earned commissions are reversed.

### Annuity

**Century II Freedom Variable Annuity** – In the event that a policy for which a commission has been paid is surrendered, exchanged or above 50 percent of the original premium is partially surrendered, a commission reversal occurs in the first policy year as follows:

Percentage of Commission Reversed	Quarter in First Policy Year
100%	First
75%	Second
50%	Third
25%	Fourth
0%	Thereafter

### **Commission on Replacement of Lapsed Policies**

If a policy terminates before or after the issue date of any new policy, the terminated policy will be treated as a rollover to the new policy. Therefore, the volume of the terminated policy will be included in the amount of rollover volume, and the commission guidelines for rollovers will apply to the new policy. Refer to the product specific sections for details on rollover commissions.

### **Commission on Death Benefits**

Full new sales commissions will be paid on any death benefit proceeds from a life policy or an annuity that is used to purchase a new life or annuity policy.

No commission will be paid on policies where a surviving spouse assumes ownership of an existing contract upon death of the original policyowner.

### **Commission on Settlement Options**

First year commission may be paid when an annuity owner elects some form of a lifetime settlement option. Lifetime settlement options include life income, certain and life, installment refund and joint and survivor.

If an agent is involved in the election and has at least \$5,000 Rolling 12-Month NAFYC, commission will be paid according to the following table:

Age of Original Policy	Agent Commission
Less than 2 years	0.0 %
More than 2 years but less than 5 years	½ Full commissions
More than 5 years	Full commissions

No compensation is paid when:

- A non-life contingent settlement option is elected by an annuity owner, or
- An agent is not involved in the lifetime settlement option election or does not have at least \$5,000 Rolling 12-Month NAFYC, or
- A life policy elects a settlement option.

### **Commission on Prepaid Premiums**

Premiums that are prepaid in advance of their due date on traditional life policies will earn commissions when they are due on the policy.



## **Commission on Internal Replacements and Conversions**

### **Permanent-to-Permanent Replacement**

- First-year commissions are paid up to the target premium for the increase in coverage, not the increase in premium;
- No commissions are paid on cash value being rolled over. An amount equal to the cash value must be transferred to the new policy before commissions are paid; and
- Renewal commissions are paid on premium paid starting in the second year.

When there is a permanent-to-permanent rollover with no increase in coverage, only renewal commissions are paid. If there is an increase in coverage, first-year commissions are paid up to the target premium for the increase in coverage. First-year excess commission is paid on premium received in excess of the target premium for the increased coverage.

### **Term-to-Term Replacement**

- First-year commission are paid on the increase in premium;
- If the policy being replaced is a Select Term Series or ChoiceTerm 20 in its first year, all commission paid on the replaced policy is charged back and full commission is paid on the new policy;
- Renewal commissions are paid on full premium paid starting in the second year. No renewal commissions are paid on the Select Term Advantage Series or ChoiceTerm 20.

### **Annuity Replacement**

- Commissions on an annuity are adjusted if replacing an existing annuity or life policy. No commissions are paid on the rollover cash value from an existing annuity or life policy.

### **Term-to-Permanent Conversion**

- No commissions are paid on conversion credit.
- Target premium is reduced by the conversion credit.
- First-year commission is paid up to the reduced target premium and first-year excess commission is paid on premium received in excess of the reduced target premium.
- Renewal commission is paid on premium paid starting in the second year.

## **Chapter 2: Additional Compensation Components and Benefits**

This next chapter with Kansas City Life shows how life gets better as the plan continues. So much can be gained by giving all your business to Kansas City Life. Not only are commissions and bonuses greater but you have a better chance to qualify for President's Club and Top Hatters and join other achievers in exciting locations.

Our fringe benefits can't be beat. Our generous group life and accidental death and dismemberment plan protects your family at no cost to you. Plus we offer you both a deferred compensation plans and an agent's stock bonus plan. The deferred comp plan doesn't cost you a thing and the stock bonus is designed to reward your thrift. With this plan, it is possible to accumulate a substantial sum by first saving part of your earnings – before taxes. Kansas City Life then adds stock purchases for you by the Company. All this can be yours. Best of all, your own savings, the stock and the interest grow tax-deferred as long as the money remains in the plan.

- **Compensation Component Qualification Overview**
- **Life Renewal Bonus**
- **Group Life and Accidental Death and Dismemberment**
- **Group Long Term Disability**
- **Deferred Compensation**
- **Stock Bonus Plan**

## Compensation Component Qualification Overview

The following table shows the required agent NAFYC production by level and the compensation components available.

Agent Compensation Components							
Agent NAFYC	Group Life & ADD - Death Benefit Amount in \$1,000s	Group LTD - 60% of earnings - max of \$5,000 per month	Agent Life Renewal Bonus - % of Life Renewal Commissions	Deferred Comp - % of NAFYC based on # of Pres. Club Qualifications	Stock Bonus Plan - % of NAFYC and Renewal Commission	President's Club	Top Hatter's Club
\$125,000	\$50	yes	50%	8 or 12%	2.50%	yes	yes
75,000	\$50	yes	40%	7 or 11%	2.50%	yes	yes
60,000	\$50	yes	35%	6 or 10%	2.50%	yes	
50,000	\$50	yes	35%	5 or 9%	2.50%	yes	
36,000	\$35	yes	30%	4 or 8%	2.50%	yes	
34,000	\$35	yes	30%			yes	
30,000	\$35	yes	30%				
< 30,000							

Trip production qualifications are set prior to the introduction of each new trip and qualification period.

## Life Renewal Bonus

Individual Life and Annuity NAFYC credits for the most recent 12-month period are used to determine the bonus percentage. The actual bonus is calculated by applying the bonus percentage to the current month's earned life renewal commissions.

Agent Rolling 12-Month NAFYC Credit	Bonus Percentage of Qualified Earned Life-Renewal Commissions
\$0 to 29,999	0%
\$30,000 to 49,999	30
\$50,000 to 74,999	35
\$75,000 to 99,999	40
\$100,000 and above	50

### Rules

1. General agents are eligible based on personal production.
2. The agent must be active when the bonus is paid.
3. The agent's bonus persistency must be at least 85 percent to qualify for the bonus.
4. The bonus is not included for benefit calculations.
5. Upon notification, the bonus is subject to discontinuance or change at the discretion of the Company.
6. We reserve the right to limit commissions generated from applications written on agents and/or family members for bonus calculations.
7. Accumulator VUL renewals are not included in qualified earned life renewal commissions.

## Group Life and Accidental Death and Dismemberment

You are eligible for free Group Life and Accidental Death and Dismemberment (AD&D) Insurance if your NAFYC is at least \$30,000. Coverage is based on the following qualification schedule.

Agent 12-Month NAFYC Credit	Group Life & AD&D Benefit
\$30,000	\$35,000
\$50,000	\$50,000

Benefit qualification is based upon production from the prior calendar year.

## Group Long Term Disability

You are eligible to participate in our Group Long Term Disability Plan. Eligibility is based on calendar year production. Kansas City Life subsidizes a portion of the cost to the agent.

Minimum Annual Production Requirements	
Paid Policies*	Agent's NAFYC
25	\$30,000

\*The application requirement may be waived if NAFYC exceeds certain levels.

### Benefit

- Percent of earnings 60%
- Monthly Maximum \$5,000
- Benefit Duration To age 65, with a Reducing Benefit Duration available if older than age 65.

### Definition

24 Month Own Occupation

### Definition of Earnings

Earned individual first-year commission averaged over a three-year period or date of first production, whichever is earlier.

The qualifying period is for each calendar year. Production requirements are not prorated.

## Deferred Compensation

The Deferred Compensation Plan is designed to help you save for your retirement through personal production. And, best of all, you don't contribute a cent. Kansas City Life makes a contribution to your account for each calendar year in which you meet the minimum production and persistency requirements. This contribution will be made in the year following the year in which you qualify. You can choose where to invest the contribution. We offer a fixed account and several mutual funds for selection.

Minimum Annual Production Requirements	
Paid Policies*	Agent's NAFYC
25	\$36,000

\*The application requirement may be waived if NAFYC exceeds certain levels.

The qualifying period is for each calendar year. Production requirements are not prorated.

For loyal producers of Kansas City Life that have qualified for more than four Kansas City Life Incentive Clubs (President's or Top Hatter's Clubs), the amount contributed by Kansas City Life is increased. The annual contribution is calculated as follows:

Contribution % of Calendar year NAFYC		
Calendar Year Personal NAFYC Credit	0 to 4 KCL Club Qualifications	5 or More KCL Club Qualifications
Less than \$36,000	0.00%	0.00%
\$36,000 - 49,999	4.00%	8.00%
\$50,000 - 59,999	5.00%	9.00%
\$60,000 - 74,999	6.00%	10.00%
\$75,000 - 99,999	7.00%	11.00%
\$100,000+	8.00%	12.00%

## Persistency Requirement

To qualify for the Deferred Compensation Plan, your 36-month bonus persistency must be at least 85 percent.

Note: The Post-2004 Non-Contributory Deferred Compensation Plan for Kansas City Life Insurance Company Agents.

## Stock Bonus Plan

In addition to the Deferred Compensation Plan, you can build your retirement through the Stock Bonus Plan.

### Personal Contribution

If you meet the minimum production requirement, you may defer a minimum of 1 percent to a maximum of 15 percent of your Kansas City Life agent commission each pay period. Your contribution can be allocated among various benchmark funds available in this plan.

### Company Contribution

If you meet the minimum production and persistency requirements, the Company contributes an amount of Kansas City Life stock equal to 50 percent of your monthly contribution as a bonus. The maximum annual company bonus is 2.5 percent of your contribution.

Minimum Annual Production Requirements	
Paid Policies*	Agent's NAFYC
25	\$36,000

\*The application requirement may be waived if NAFYC exceeds certain levels.

The qualifying period is each calendar year. Production requirements are not prorated.

### Persistency Requirement

To qualify for the Stock Bonus Plan, your 36-month bonus persistency must be at least 85 percent.

Note: The Post-2004 Contributory Deferred Compensation Plan.



## Chapter 3: Rules and Practices

By qualifying for our entire fringe benefit package you help ensure your life is more secure now and in the future. We strive to back you up with the best we can offer in quality products, excellent sales support and customer services. We cover all the bases to ensure success when you write your next chapter with Kansas City Life.

- **Compensation Levels**
- **Net Annualized First Year Commission (NAFYC)**
- **Persistency Requirements**
- **Vesting**
- **Annualization Procedures**

## Compensation Levels

### First Year Commission

First year commission is paid at the rates shown in your contract commission schedule according to the compensation level initially assigned to you. First year commission is paid as a percentage of premiums for the first policy year. Payment of first year commission is subject to the provisions of the commission schedule and all of the applicable compensation rules and practices published by the Company.

### Compensation Level

When your agent contract is approved, you will be assigned an entry compensation level for commissions.

### Changes in Compensation Level

Your compensation level may increase, decrease or remain the same. In practice, it is expected that your compensation level changes no more frequently than on an annual basis.

**Increases or decreases in compensation levels have only a prospective impact. Future compensation on previously sold policies is not impacted.**

## Net Annualized First Year Commission (NAFYC)

NAFYC is the production measure used to determine qualification for the compensation, benefit programs and incentive trips.

### **Based on Rolling 12-Month NAFYC Production\***

Life Renewal Bonus  
Service Fee Qualification

### **Based on Calendar Year NAFYC Production**

Group Life and AD&D  
Group Long Term Disability  
Deferred Compensation  
Stock Bonus Plan

\*Credit is based on business activation during the current month plus the preceding 11 months.

### **Rules regarding NAFYC**

- The policy must be activated in the qualification period and earn some first-year commission.
- Paid cancellations and policies not taken do not earn credit.
- Commission credit is based on the current agent's contract. Commission adjustments are included.
- No credit is applied for term life policies lapsing in the first 12 months.
- No credit is applied for permanent life policies lapsing in the first six months, one-half credit for policies lapsing in the second six months.
- Annuity policies receive earned first-year commission credit.

### **NAFYC Credit by Product Type**

- Fixed Premium: The NAFYC credit percentage is multiplied by the first year annualized premium less non-commissionable policy fee.
- Flexible Premium Annuities: The NAFYC credit percentage is multiplied by the first year commissionable premium.
- Universal Life: The NAFYC credit percentage is multiplied by the first year annual planned premium up to the target premium. It can be less if experience factors (premium collected, age of coverage, billing mode) indicate less than target is going to be collected. If more than the target premium is collected in the first year, the additional premium above the target premium is multiplied by the excess NAFYC credit percentage.
- Indexed Universal Life: The NAFYC credit percentage is multiplied by the full target premium at issue.
- Group Life, Disability, and Dental: The amount of first year commission earned. NAFYC credit for group plans counts only toward life coverage.

NAFYC Credit Percentage	
<b>UL, IUL &amp; VUL<sup>a</sup></b>	
SuperNOVA, Life Protector, EquiFlex <sup>b</sup> , Accumulator VUL	50.00%
FlexWealth Advantage (specified amount \$25,000 or greater)	50.00%
FlexWealth Advantage (specified amount less than \$25,000 )	40.00%
<b>Term</b>	
Level 10, Level, 15, Level 20 & Level 30, Level 20 Advantage & Level 30 Advantage	50.00%
Level 10 Advantage & Level 15 Advantage	45.00%
ChoiceTerm 20	45.00%
Cashback Life 20 & 30 (specified amount \$100,000 or more)	50.00%
Cashback Life 20 & 30 (specified amount less than \$100,000)	40.00%
<b>Traditional</b>	
Value Assured Whole Life	55.00%
Gift of Life	50.00%
<b>Fixed Deferred</b>	
GrowthTrack <sup>c</sup> , SecurityTrack	3.00%
SelecTrack 5 <sup>c</sup>	2.00%
SelecTrack 7, SelecTrack 10	2.50%
<b>Variable Deferred</b>	
Affinity VA (all options), Century II VA	3.00%
Freedom VA	1.10%
<b>Immediate Annuities</b>	
SPIA with Life Contingencies	3.00%
Payments 10 years or more	3.00%
Payments 7 to < 10 years	1.50%
Payments 6 to < 7 years	1.25%
Payments 5 to < 6 years	1.00%
Payments 4 to < 5 years	0.75%
Payments 3 to < 4 years	0.60%
Payments < 3 years	0.00%

a The excess NAFYC credit percentage for premiums in excess of the target premium in the first year is 2.00% on Life Protector, EquiFlex and Accumulator VUL and 3.00% on SuperNOVA and FlexWealth Advantage.

b NAFYC credit is given on the full target premium at issue.

c For issue ages above age 80, the NAFYC credit percentage is adjusted to be lower.

## Persistency Requirements

To qualify for the bonuses and benefits that are part of this contract, minimum persistency requirements are defined. The 36-month (bonus) persistency is used as a measure.

The 36-month persistency is a cash-flow persistency. The base used to calculate expected premium is:

- Traditional Life: Annual premium.
- Universal Life: The amount on which the target commission was paid, up to the target premium amount.
- Annuities: Not included.
- Internal Rollovers: Not included.
- Group Products: Not included.

Full annual credit is allowed immediately for policies paid on an annual basis. Expected premium for policies other than annual equals the base premium divided by 12 then multiplied by the age of the coverage in months.

## Vesting

First year and renewal commissions are fully vested. Service fees are not vested.

## Annualization Procedures

Annualized commissions are only available on premiums paid on semi-annual, quarterly, pre-authorized check (PAC) bill and list bill payment modes. Commissions are annualized only on issued and paid-for cases.

Kansas City Life does not pay annualized commissions on:

- Annuities
- Group policies
- Direct bill monthly premium mode
- Premiums for life insurance policies which insure the writing agent or any member of his or her immediate family
- Premiums for life insurance policies which insure an agent of Kansas City Life

Annualization of universal life policy premiums is based on the lesser of the planned premium or the target premium. Universal life premiums are annualized only when the Company has received at least one month's planned or target premium.

The policy fee will be subtracted from the annual premium before commissions are annualized on all term policies.

In its sole discretion, the Company may limit payment of annualized commissions if:

- a) The advance on any one policy is more than \$10,000 in any one month, or
- b) The balance of annualized commissions over earned commissions exceeds \$50,000.

Unearned annualized agent commissions are the debt of the agent. The Company has the right to offset unearned commissions against agent compensation at any time. This does not affect the Company's right to recover this debt by other means. Also in its discretion, the Company may cease annualizing to any agent at any time, with prior notice to the general agent.



## Notes



