

Company, Kansas City Life Variable Annuity Separate Account, 3520 Broadway, Kansas City, Missouri 64141-6139, Sunset Financial Services, Inc. 3200 Capital Boulevard South, Olympia, Washington 98501-3396.

**FOR FURTHER INFORMATION CONTACT:** Sarah A. Buescher, Staff Attorney, at (202) 942-0573, or C. David Messman, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch.

### Applicants' Representations

1. Kansas City Life is a stock life insurance company organized in Missouri and licensed to do business in 45 states and the District of Columbia.

2. The Separate Account is a separate investment account established by Kansas City Life to fund variable annuity contracts. Kansas City Life is the depositor and sponsor of the Separate Account. The Separate Account is registered as a unit investment trust under the Act. Units of interest in the Separate Account will be registered under the Securities Act of 1933. The Separate Account is currently divided into eleven subaccounts. Each subaccount will invest exclusively in the shares of an investment portfolio of one of three registered investment companies.

3. Sunset Financial, an indirect wholly-owned subsidiary of Kansas City Life, will serve as the distributor and principal underwriter for the Contracts. Sunset Financial is registered under the Securities Exchange Act of 1934 as a broker-dealer and is a member of the National Association of Securities Dealers, Inc.

4. The Contracts are individual flexible premium deferred variable annuity contracts. They may be purchased on a non-tax qualified basis or in connection with retirement plans entitled to special federal income tax treatment. The Contracts require a minimum initial premium of \$5,000 or annualized payments of \$600. The minimum subsequent premium payment is \$50. Contract owners may allocate premium payments to one or more subaccounts of the Separate Account and to the Fixed Account, which is part of Kansas City Life's General Account. Premium payments allocated to the Fixed Account will be credited with a predetermined rate of interest. The value of a Contract

("Contract Value") is the sum of the value of the Contract's investments in the Separate Account and the Fixed Account.

5. The Contracts provide for a death benefit if the annuitant dies before the maturity date. The death benefit is equal to the greater of: (i) the guaranteed death benefit less any indebtedness; and (ii) the Contract Value less any indebtedness on the date applicants receive proof of the annuitant's death. The guaranteed death benefit is equal to the initial premium payment plus any subsequent premium payments. Any partial surrender will decrease the guaranteed death benefit by the same percentage that the surrender decreases the Contract Value.

6. Before the maturity date, the owner may request a transfer of all or part of the amount in a subaccount or the Fixed Account to another subaccount or to the Fixed Account. The total amount transferred each time must be at least \$250, or the entire amount in the subaccount or the Fixed Account, if less than \$250. Only one transfer from the Fixed Account may be made in each 12-month period beginning on the date the Contract is issued ("Contract Year"), and that transfer may not be for more than 25% of the unloaned value of the Fixed Account. The first six transfers each Contract Year are free. Kansas City Life will assess a \$25 transfer processing fee for subsequent transfers. Kansas City Life does not expect a profit from this fee, which is guaranteed and cannot be increased. Applicants rely on rule 26a-1 to deduct this fee.<sup>1</sup>

7. Applicants will charge a contingent deferred sales charge ("Surrender Charge") for certain withdrawals. The amount of the Surrender Charge is as follows:

Contract year in which surrender occurs	Charge as percentage of amount surrendered
1 .....	7
2 .....	7
3 .....	7
4 .....	6
5 .....	5
6 .....	4
7 .....	2
8 and after .....	0

If the owner surrenders the entire Contract, the Surrender Charge will be deducted from the Contract Value. If the

<sup>1</sup> Rule 26a-1 allows for payment of a fee for bookkeeping and other administrative expenses provided that the fee is no greater than the cost of the services provided, without profit.

owner surrenders part to the Contract, the Surrender Charge will be deducted from the amount surrendered or from the remaining Contract Value, according to the owner's instructions.

8. An owner may participate in a systemic partial surrender plan whereby the owner instructs Kansas City Life to surrender a requested dollar amount on a periodic basis. If an owner does not participate in the plan, the first partial surrender during a Contract Year will not be subject to a Surrender Charge if it does not exceed 10% of the Contract Value at the time of the surrender. This free partial surrender is limited to the first partial surrender of the Contract Year, even if the amount surrendered is less than 10% of the Contract Value.

Upon a full surrender, if the owner has not elected to participate in the systemic partial surrender plan and has not received any partial surrenders during a Contract Year, only 90% of the Contract Value will be subject to a Surrender Charge. If the owner participates in the systemic partial surrender plan, up to 10% of the Contract Value may be surrendered each Contract Year without a Surrender Charge. Once the amount of the surrender exceeds the 10% limit, the applicable Surrender Charge will be deducted from the remaining Contract Value.

9. An annual administration fee of \$30 will be deducted from the Contract Value for administrative expenses at the beginning of each Contract Year. Applicants will waive this fee for Contracts with Contract Values of \$50,000 or more at the beginning of the Contract Year. No annual administration fee is payable after the maturity date of the Contract. Prior to the maturity date of a Contract, Kansas City Life also will deduct a daily asset-based administration charge from the assets of the Separate Account at an annual rate of .15%. Applicants represent that the annual administration fee and the asset-based administration charge are guaranteed and will not increase. In addition, applicants represent that they do not expect to make a profit from these charges. Applicants will rely on rule 26a-1 to deduct these fees.

10. Prior to the maturity date, Kansas City Life proposes to deduct a daily mortality and expense risk charge from the assets of the Separate Account. The aggregate mortality and expense risk charge will be equal to an annual rate of 1.25%. Of that amount, approximately .70% is for mortality risk and .55% is for expense risk. Kansas City Life assumes the mortality risk that annuitants may live for a longer period than estimated when the guarantees in the Contract were established, thus