

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

COMMISSION FILE NUMBER 0-1999

KENTUCKY INVESTORS, INC.

(Exact name of registrant as specified in Charter)

KENTUCKY
(State or Other Jurisdiction of
Incorporation or Organization)

61-6030333
(IRS Employer
Identification Number)

200 Capital Avenue, Frankfort, Kentucky 40601
(Address of Principal Executive Offices)

Registrant's telephone number, including area code 502-223-2361

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Common \$1 Par Value

Name of Each Exchange on Which Registered
OTC BULLETIN BOARD

Securities registered pursuant to Section 12(g) of the Act:

Common Capital Stock Par Value \$1.00 Per Share
(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendments to this Form 10-K. (X)

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934) YES () NO (X)

State the aggregate market value of the voting stock held by nonaffiliates of the registrant \$13,419,085.50 as of December 31, 2004

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class
Common Capital Stock

Outstanding at December 31, 2004
1,099,665.72

Documents Incorporated by Reference:

(1) Portions of the Annual Report to the Stockholders for the year ended December 31, 2004 (Form 10-K, Items 1, 5a, 6, 7, 7a, 8 and 15)

(2) Portions of the Proxy Statement dated April 15, 2005, for the Annual Meeting of Stockholders to be held May 12, 2005 (Form 10-K, Items 10, 11, 12, 13 and 14.)

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PART I

Item 1. Business

(a) Business Overview

Kentucky Investors, Inc. is the holder of 100% of the outstanding common stock of a life insurance company, a printing company and an insurance marketing company and is the sole member of a Kentucky limited liability company.

Kentucky Investors owns 100% of Investors Heritage Life Insurance Company, Investors Heritage Printing, Inc. and Investors Heritage Financial Services Group, Inc. Kentucky Investors is the sole member of At Need Funding, LLC (formerly "Family Assignment Services, LLC"), a Kentucky limited liability corporation. We will be referring to Investors Heritage Printing, Investors Heritage Financial and At Need Funding as the "Non-insurance Subsidiaries". We will be referring to Investors Heritage Life, Investors Heritage Printing, Investors Heritage Financial and At Need Funding as the "Subsidiaries". We will also be referring to Kentucky Investors and its subsidiaries as the "Company".

Investors Heritage Life owns 96% of Investors Underwriters, Inc., an investment holding company. While the Non-insurance Subsidiaries continue to expand, less than 2% of Kentucky Investors' total operations were generated by the Non-insurance Subsidiaries for the year ended December 31, 2004. The Non-insurance Subsidiaries' total assets and stockholder equity comprised less than 1% in the aggregate of the Kentucky Investors' reported total assets and stockholder equity as of December 31, 2004.

Investors Heritage Financial markets Investors Heritage Life's credit insurance and mortgage redemption products and also markets a variety of products to financial institutions for a number of other unaffiliated companies.

(b) Financial Information About Business Segments

Investors Heritage Life

The business segments of Investors Heritage Life are identified and discussed on Schedule III, Supplementary Insurance Information and on pages 40-41 of the Annual Report to Stockholders for the year ended December 31, 2004 and are incorporated herein by reference. Investors Heritage Life offers a portfolio of the standard forms of participating, non-participating, whole life, limited pay, endowments, split-funding, interest-sensitive whole life, guaranteed issue whole life, universal life, term and group life. In addition, Investors Heritage Life writes credit life and credit accident and health insurance (collectively "Credit Insurance") on a group basis.

Ordinary Production. The business segments for ordinary production are Preneed and Burial products ("Preneed") and Traditional and Universal Life products ("Traditional"). Ordinary in force accounts for 36% of total in force business. Investors Heritage Life is working diligently to increase ordinary product sales. The largest increase in this area over the last several years has

been the Preneed and Burial products sales in the final expense and preneed funeral markets. Final expense sales include the sale of small face amount ordinary life insurance products, the purpose of which is to pay the insured's final expenses. Preneed funeral sales include the sale of modal multiple premium and single premium ordinary life policies which are sold to fund a specific prearranged funeral contract.

Although Preneed sales were down 18.6% for the year 2004, Investors Heritage Life strives to continue to improve its marketing capability in this area. This decline is primarily due to the uncertain economic environment, which has hampered disposable income among our customer base, and increased competition in the market place.

Despite the production decline in this segment, our efforts and strategy to continue a successful ordinary insurance operation hinge on continuing to provide solid products and outstanding administrative service and on the personal relationships developed and fostered each year. In 2003, the Legacy 2000 product series was replaced with the new Legacy Protector and Legacy Preferred products for both the single premium as well as the multi-pay policies. Performance of this new product series is in line with expectations and has improved product profitability in this segment. Our Preneed and Burial product sales are generated primarily through independent funeral homes in fourteen states.

Credit Insurance Products and Administrative Services ("Credit"). Investors Heritage Life has sold Credit Insurance since 1966. Since 1996, Investors Heritage Financial has marketed Investors Heritage Life's Credit Insurance products and will continue to do so in 2004. All of the risk on Credit Insurance policies sold by Investors Heritage Life has been and will continue to be reinsured with larger, highly rated companies. Currently, Investors Heritage Life has reinsurance agreements with Munich American Reassurance Company ("Munich") and RBC Reinsurance (Ireland) Ltd. Effective January 1, 2005, Scottish Re (U.S.), Inc. replaced Munich American as a reinsurer for new business in this line. For the last several years, Investors Heritage Financial has been marketing products for several unaffiliated companies to financial institutions. During 2004, Investors Heritage Financial continued to explore marketing opportunities for products and secured appointments with several unaffiliated companies in order to market larger face amount term products, cancer, accident and second-to-die products. These relationships will allow Investors Heritage Financial to provide more products and better serve our existing accounts thereby allowing us to further strengthen these agency relationships.

(c) Narrative Description of Business

Preneed and Burial Products. Approximately 46% of total ordinary insurance in force is Preneed and Burial Products. Sales for this segment are under the direct supervision of the home office using a regionally supervised agency system. The method of field operation involves independent contractual agents working with district and regional managers. These managers contract with and train agents who work under them. The regional managers may have several district managers under their supervision. As a result of Investors Heritage Life's growth in the Preneed area, agency relationships have also been entered into directly with numerous funeral home owners. Management anticipates this trend to continue and, depending on the size of the funeral home and state law, preneed counselors may also become part of the agency force.

Investors Heritage Life issues two non-participating interest-sensitive single premium whole life policies based on simplified underwriting. These policies provide for payment of the full face amount at the death of the insured and for increasing death benefits on a non-guaranteed basis.

Investors Heritage Life also provides other products designed for the preneed funeral market. These products are single premium and multi-pay premium non-participating whole life policies. Single premium policies are sold on a guaranteed issue basis and multi-pay premium policies are fully underwritten. Both single and multi-pay premium policies provide for non-guaranteed increasing death benefits and have a maximum face amount of \$25,000.

The fourth generation of products developed for the preneed funeral market, the "Legacy 2000 Series", differed from prior products by offering simplified underwriting for the multi-pay policies and shorter reduced benefit policies. Some of these products provided for the payment of the full face amount at the death of the insured and some provided graded death benefits during the first year. All of the products provided for increasing death benefits on a non-guaranteed basis.

During the first quarter 2003, Investors Heritage Life introduced its fifth generation of life products designed for the preneed funeral market. These new products provide an underwritten and a guaranteed issue single premium policy as well as underwritten and guaranteed issue multi-pay policies. All of the products provide for increasing death benefits on a non-guaranteed basis with a guaranteed minimum increase and the reduced benefit period has been lengthened for the guaranteed issue multi-pay product. These new products, called the "Legacy Protector and Legacy Preferred Series", were developed to combat the challenging economic environment and increased mortality anti-selection and have replaced the Legacy 2000 Series. The performance of these products is currently in line with expectations.

Investors Heritage Life introduced a new series of final expense whole life insurance policies during 2001. These new products are non-participating whole life insurance issued with simplified underwriting. These products are offered outside of the preneed market and replace the level benefit policies that were included in the Legacy 2000 series. The Heritage Final Expense product has been well received in our markets and is performing in line with expectations.

From 1997-2003, the majority of business written by Investors Heritage Life was group insurance products sold in the preneed market. The Legacy 2000 Series introduced during 1998 was also a group product in many states as is the Heritage Final Expense product that replaced the Legacy 2000 Series in the second and third quarter of 2001. However, the Legacy Protector and Legacy Preferred Series were filed primarily as individual products and the Legacy 2000 products are no longer being sold on a group basis. As such, group life premiums during 2004 decreased to \$5,294,291 as compared to \$7,874,035 in 2003 and \$22,357,847 in 2002.

Traditional and Universal Life Products. Sales for this segment are under the direct supervision of the home office using a regionally supervised agency system. The method of field operation involves independent contractual agents working with district and regional managers. These

managers contract with and train agents who work under them. The regional managers may have several district managers under their supervision. Investors Heritage Life also sells business through general agents or brokers who may represent one or more companies.

Approximately 54% of total ordinary insurance in force is Traditional and Universal Life. These sales are built around a standard portfolio of life insurance policies with some of the contributions to in-force business being a participating ordinary life insurance policy, a guaranteed issue whole life policy and non-participating life policies. In addition, Investors Heritage Life offers term insurance products.

Some of the participating policies provide for payment of guaranteed annual endowments of fixed amounts beginning at the end of the second policy year and continuing through the premium-paying period. These policies also have an annual guaranteed benefit. As of December 31, 2004, 7% of the total ordinary insurance in force was comprised of participating policies and approximately 77% of those policies provide some guaranteed annual endowment.

Another block of participating policies provides for the payment of a dividend which will purchase additional insurance equal to 2.5% of the previous year's total death benefit, including any additional insurance purchased in prior years. The dividend is not guaranteed. As of December 31, 2004, approximately 23% of participating policies included non-guaranteed benefits.

Non-participating life insurance policies sold in both the Preneed and Burial Product segment and the Traditional and Universal Life segment represented approximately 93% of the total ordinary insurance in force.

Investors Heritage Life also provides term insurance products, both on a decreasing and a level basis. During 2001, we introduced a new Term to 95 product that replaced our Level Term product. We will continue to provide our decreasing term policy that is primarily sold through financial institutions.

During 2004, Investors Heritage Financial continued to strengthen its marketing partnership with Cherokee National Life Insurance Company, a subsidiary of American United Life Insurance Company, to distribute Investors Heritage Life products, including its mortgage protection products. Management anticipates continued growth in this segment during 2005 due to Investors Heritage Financial's efforts.

As anticipated, premium production decreased by \$304,805 to \$1,523,627 in 2004 for the credit ordinary segment. This 16.7% decrease over 2003, was primarily due to the adoption of a new predatory lending law by the Kentucky Legislature and the tightening of credit underwriting by key accounts. The goal for the credit ordinary segment in 2004 was \$1,400,000; therefore, actual premium production exceeded the goal by approximately 9%.

Group life accounts for 50% of total in-force business. In addition to the group business discussed above, Investors Heritage Life participates in the Federal Employee Group Life Insurance ("FEGLI") Program, which is administered by Metropolitan Life Insurance Company

and in the Servicemen's Group Life Insurance ("SEGLI") Program which is administered by Prudential Insurance Company of America. As of year-end 2004, the total amount of insurance in force from the FEGLI and SEGLI programs were \$539,843,000 and \$975,816,000, respectively.

Credit Insurance. Credit Insurance, which accounts for 13% of total in-force business, is generally sold through banks, finance companies and automobile dealerships and is offered in connection with the extension of credit by financial institutions. The amount of the insurance is designed to cover the amount of the loan with the financial institution being the beneficiary of the insurance policy to the extent of the unpaid balance of the loan. Credit Insurance production is dependent on consumer debt. In times of low unemployment, reasonable interest rates and a steadily improving economy, consumer debt increases; therefore, Credit Insurance sales increase. When the economy slows, consumer debt slows and therefore Credit Insurance sales decrease.

Investors Heritage Financial initiated discussions with unaffiliated companies regarding a transaction where the Credit Insurance business would be written by Investors Heritage Life and all of the risk insured would be immediately reinsured to the unaffiliated company. In addition to receiving a retention fee, Investors Heritage Life also receives a fee for administration and claims processing services. Investors Heritage Financial is able to generate revenues in the form of commissions from the sale of Investors Heritage Life's Credit Insurance products. Management believes there will continue to be opportunities to administer Credit Insurance business in Kentucky for non-domestic insurers. Two new agreements were entered into in 2004.

Investors Heritage Life has reinsurance agreements with five unaffiliated companies, Life Investors Insurance Company of America, Universal Guaranty Life Insurance Company, American United Life Insurance Company, Madison National Life Insurance Company and Minnesota Life Insurance Company. Pursuant to those agreements, our Credit Insurance products sold by Life Investors', Universal Guaranty's, American United Life's, Madison National's and Minnesota Life's agents are reinsured to Life Investors, Universal Guaranty, American United Life, Madison National and Minnesota Life, respectively. Investors Heritage Life and Investors Heritage Financial are paid a retention fee and a marketing fee for services provided. Investors Heritage Financial will continue to seek contracts to operate as an administrator for other companies that sell Credit Insurance.

Investors Heritage Financial will also continue to call on banks, finance companies and selected automobile dealerships to market the Credit Insurance products for Investors Heritage Life. As anticipated, 21% of Investors Heritage Financial revenues for 2004 were derived from the sale of Investors Heritage Life's Credit Insurance products. Credit Insurance gross written premiums were lower than anticipated in 2004 due primarily to a new predatory lending law adopted by the Kentucky Legislature that controls the sale of Credit insurance products in conjunction with lending on real estate and secured loans. Investors Heritage Life anticipates 2005 Credit Insurance gross written premiums to exceed \$8,000,000.

In addition to selling Credit Insurance, Investors Heritage Life bank agents may obtain an ordinary life license enabling them to sell mortgage life insurance that might be required in

excess of the statutory credit life limitation enacted by each state where our Credit Insurance products are sold. The mortgage life insurance sales operations will continue to be conducted through Investors Heritage Financial. Further, Investors Heritage Financial is licensed with other unaffiliated insurance companies to provide products that Investors Heritage Life does not offer to the financial institutions and other agents. These products include cancer, accident, second-to-die, large face amount term insurance, short term and long term disability and annuities. These relationships generated additional fee income in the amount of \$509,066 during 2004 and management anticipates continued fee income from this area.

Risk. In many cases Investors Heritage Life requires evidence of insurability before issuing individual life policies including, in some cases, a medical examination or a statement by an attending physician. Home office underwriters review the evidence of insurability required and approve the issuance of the policy in accordance with the application if the risk is acceptable. Some applicants who are substandard risks are rejected, but many are offered policies with higher premiums, restricted coverages or reduced benefits during the first or second policy years. The majority of the single premium business is written through the preneed funeral market without evidence of insurability, relying on safeguards such as product design, limits on the amount of coverage, and premiums which recognize the resultant higher level of claims. To further reduce the risk, one of our new single premium products requires evidence of insurability utilizing simplified underwriting.

Investors Heritage Life utilizes a combination of yearly renewable term reinsurance and coinsurance to cede life insurance coverage in excess of its retention limit, which was \$100,000 as of December 31, 2003. Effective January 1, 2004, the maximum retention level lowered to \$25,000 per life. The new retention level was achieved by keeping current reinsurance treaties in place and adding additional yearly renewable term treaties for the difference with Scottish Re (U.S.) Inc. (inforce as of December 31, 2003) and Munich American Re (business issued in 2004 and later). As anticipated, this new retention level has stabilized earnings fluctuations in this segment. Excess coverages are reinsured externally to unaffiliated reinsurers.

During 2001, Investors Heritage Life entered into two reinsurance agreements in furtherance of these goals. The first is with Munich which reinsures the Heritage Final Expense products on an 80/20 quota share basis with Investors Heritage Life retaining 20% of the risk on each life. The second is with Lincoln National Life Insurance Company which reinsures the Term to 95 product on an 80/20 quota share basis with Investors Heritage Life retaining 20% of the risk on each life.

As of December 31, 2004, approximately \$869,881,000 or 26% of total life insurance in force was reinsured with non-affiliated well-established insurance companies. Investors Heritage Life would become liable for the reinsured risks if the reinsurers could not meet their obligations. Investors Heritage Life has not experienced a reinsurer default under any of the reinsurance agreements to which Investors Heritage Life is a party. Further, Investors Heritage Life has no knowledge of and does not anticipate any material default in any existing reinsurance obligation.

Investors Heritage Life is party to reinsurance and coinsurance agreements with twenty-two non-affiliated companies. The reinsurers for Investors Heritage Life and amounts of insurance in force that are reinsured are as follows:

<u>Company</u>	<u>Reinsurance Amount</u>	<u>Percent Of Total</u>
American United Life Insurance Company	\$ 31,722,000	3.65%
Bankers Life Insurance Company	4,565,000	0.52%
Canada Life Assurance Company	76,334,000	8.78%
Connecticut General Life Insurance Company	3,242,000	0.37%
Generali USA Life Reassurance	4,629,000	0.53%
Key Life Insurance Company	1,660,000	0.19%
Life Investors Insurance Company of America	15,845,000	1.82%
Lincoln National Life Insurance Company	94,241,000	10.83%
Minnesota Life Insurance Company	4,970,000	0.57%
Munich American Reassurance Company	225,677,000	25.95%
Optimum Re Insurance Company	3,843,000	0.44%
RBC Reinsurance (Ireland) Ltd.	133,889,000	15.39%
ReliaStar Life Insurance Company	18,816,000	2.16%
Scottish Annuity and Life Insurance Company	47,128,000	5.42%
Scottish RE (USA)	177,076,000	20.36%
Universal Guaranty Life Insurance Company	2,295,000	0.26%
Vernon General Insurance Company	23,274,000	2.68%
Other Companies (5)	<u>675,000</u>	<u>0.08%</u>
	<u>\$869,881,000</u>	<u>100.00%</u>

From 1999 to July 2001, Investors Heritage Life reinsured all of the risk on the Credit Insurance products sold by its agents to Munich and ReliaStar. Effective July 1, 2001, ReliaStar terminated the reinsurance agreement with respect to new issues. Therefore, Investors Heritage Life entered into a reinsurance agreement with Canada Life to replace ReliaStar. Effective July 2003, Canada Life exited the Credit Insurance market and Investors Heritage Life has entered into a new reinsurance agreement with RBC Reinsurance (Ireland) Ltd. Effective January 1, 2005, Scottish Re (U.S.) Inc., will replace Munich American as a reinsurer of our credit products. As explained above, some of these credit insurance risks have been and will be reinsured to Life Investors, Universal Guaranty, American United Life, Madison National and Minnesota Life.

Regulation of Insurance. Investors Heritage Life's business is subject to regulation and supervision by the insurance regulatory authority of each state in which Investors Heritage Life is licensed to do business. Such regulators grant licenses to transact business; regulate trade practices; approve policy forms; license agents; approve certain premium rates; establish minimum reserve and loss ratio requirements; review form and content of required financial statements; prescribe types and amounts of investments permitted; and assure that capital, surplus and solvency requirements are met. Insurance companies can also be required under the solvency or guaranty laws of most states in which they do business to pay assessments up to prescribed limits to fund policyholder losses or liabilities of insolvent insurance companies. They are also required to file detailed annual reports with supervisory agencies, and records of their business are subject to examination at any time. Under the rules of the National Association of

Insurance Commissioners ("NAIC"), a self-regulatory organization of state insurance commissioners, insurance companies are examined periodically by one or more of the regulatory authorities.

Domiciled in the Commonwealth of Kentucky, Investors Heritage Life is licensed by the Kentucky Department of Insurance and is subject to its examination and regulations. The triennial audit was completed during 2004 for the three years ending December 31, 2003. The Examination Report contains no specific recommendations and no material adjustments were made to the statutory financial statements of Investors Heritage Life.

In December of 1992, the NAIC adopted a "Risk Based Capital for Life and/or Health Insurers Model Act" (the "Model Act") which was designed to identify inadequately capitalized life and health insurers. The Model Act defines two key measures: (i) adjusted capital, which equals an insurer's statutory capital and surplus plus its asset valuation reserve, plus one-half its liability for policyholder dividends ("Adjusted Capital") and (ii) authorized control level risk based capital ("RBC"). RBC is determined by a complex formula which is intended to take into account the various risks assumed by an insurer. Should an insurer's Adjusted Capital fall below certain prescribed levels (defined in terms of its RBC), the Model Act provides for various levels of regulatory attention.

Since the Adjusted Capital levels of Investors Heritage Life currently exceed all of the regulatory action levels as defined by the NAIC's Model Act, the Model Act currently has no negative impact on the Company's operations or financial condition.

Statutory restrictions also limit the amount of dividends that may be paid by Investors Heritage Life. Generally, dividends during any year may not be paid, without prior regulatory approval, in excess of the lesser of (a) 10 percent of statutory stockholders' equity as of the preceding December 31, or (b) statutory net income for the preceding year. In addition, dividends are limited to the amount of unassigned surplus reported for statutory purposes, which was \$9,142,021 at December 31, 2004. Dividend income from Investors Heritage Life for 2004 amounted to \$566,819.

In addition, the NAIC and several states are reviewing statutes and regulations dealing with small face amount life insurance policies. Proposals range from requiring disclosures for policyholders to requiring small face amount policies to be paid up when premiums paid equal some specified multiple of the death benefits. An NAIC committee adopted a model disclosure act and while several states are considering the model, to date it has only been adopted in two states, Iowa and Nevada. It is anticipated that the NAIC will adopt a new disclosure during 2005, however, no additional requirements are expected to be adopted. To the extent that a statute or regulation is adopted that puts a limit on the amount of premiums that can be collected on a small face amount policy, it would potentially limit the ages at which we would issue such a policy and require us to increase premiums for all policyholders. Because regulators are generally in the process of relinquishing their authority to regulate rates on other types of insurance and because life insurance rates have never been regulated, it is unlikely that regulators would decide to regulate rates for life insurance policies at this time. However, if such rate regulation occurs, it

will negatively impact some of the products we sell and some of the markets in which we operate, specifically the preneed and burial markets.

Competition. The life insurance business is highly competitive. With the introduction of universal life and other interest sensitive products in recent years, competition with other financial institutions has increased. The industry includes both stock and mutual companies, including some of the largest financial institutions in the United States. While Investors Heritage Life is responsive to the current economic environment, the life insurance market is relatively volatile, and Investors Heritage Life's operating results may vary as a result of those conditions.

Investors Heritage Life differentiates itself through its marketing techniques, product features, customer service and reputation. Investors Heritage Life maintains its competitive position by its focus on areas which have historically proven profitable. Those areas include single premium preneed products, multi-pay premium final expense products, traditional whole life products, mortgage protection products and level term products. Investors Heritage Life's competitive position is maintained by its ability to provide quality customer service throughout the distribution system. Other competitive strengths include Investors Heritage Life's asset/liability management system, and its quality investment portfolio which provides liquidity.

The business of Investors Heritage Life is not seasonal.

Other Subsidiaries. Investors Heritage Printing does job printing for Investors Heritage Life as well as numerous unaffiliated sources. This includes the printing of the application forms and other office forms required by Investors Heritage Life. While the income from Investors Heritage Printing is not a significant factor in our overall business, Investors Heritage Printing will continue to work to improve profitability during 2005. Revenues from Investors Heritage Printing continued to be less than one percent of our total revenue for 2004.

The formation and operation of Investors Heritage Financial generates additional revenue to Kentucky Investors. Although this additional revenue is not a significant factor in our overall business, Investors Heritage Financial remains steady in its operations with revenues of \$469,919 in 2004 compared to \$408,102 in 2003. Revenues from Investors Heritage Financial continue to account for less than one percent of our total revenue for 2004. See Schedule II.

During June 2002, the Company acquired 400,000 shares of Cherokee National Life Insurance Company, a subsidiary of American United Life Insurance Company, in exchange for the Company's non-recourse promissory note in the amount of \$4,000,000. The note is due June 28, 2007 and interest is paid quarterly at a rate equal to the prime rate. Cherokee National stock dividends are paid quarterly and the dividend rate is equal to the prime rate. No interest is due on the note unless dividends have been paid. During December 2002, the 400,000 shares of Cherokee National common stock were exchanged for 400,000 shares of Series A preferred stock of Cherokee National.

During September 2002, the Company authorized the formation of Family Assignment Services, LLC to provide funding for at-need funerals. During 2004 the name of the LLC was changed to At Need Funding, LLC. At Need Funding is a single member, limited liability corporation

organized under the laws of the Commonwealth of Kentucky. Kentucky Investors is the sole member of the LLC. Funding provided by At Need Funding is secured by assignments of verified incontestable life insurance policies issued by unaffiliated companies. The funds are advanced to funeral homes for services provided for the insured. Upon receipt of death benefits from the insurance company, the principal balance of the debt is reduced and interest and fees are recorded. This service is provided to funeral homes that do not have the manpower to complete necessary paperwork to process the insurance claim.

Dividend income from the Non-insurance Subsidiaries for 2004 amounted to approximately \$411,809.

Additionally, Kentucky Investors earns fees for other services performed for its subsidiaries. The fees pay for the necessary supervision and coordination required to provide a common policy for all the companies. The supervision results in a coordination of contracts with the various independent agents, common sales brochures, and a savings to each company in the area of printing and purchasing. Kentucky Investors purchases director and officer liability coverage that includes the directors and officers of each subsidiary and also purchases blanket fidelity bonds that includes employees of each subsidiary at a savings when compared to purchases made by individual companies. The group life and the retirement programs for the various companies are also administered by Kentucky Investors. These fees are not significant to Kentucky Investors' total revenue. Kentucky Investors also has revenue from other investments, but it is not a significant factor in our business.

Employees. Kentucky Investors does not have any employees. Kentucky Investors' officers perform various functions described in item 10; however, they are not paid a salary by Kentucky Investors for performing such functions. The number of persons employed by Investors Heritage Life is 94. The number of active independent contractual agents of Investors Heritage Life is 1,867. There are no unions organized nor are there any collective bargaining agreements with the employees or agents. Management of Investors Heritage Life considers its relationship with the employees and agents to be satisfactory.

(d) Financial Information About Geographic Areas

The principal markets for Investors Heritage Life's products are in the Commonwealths of Kentucky and Virginia, and the States of North Carolina, South Carolina, Georgia, Ohio, Indiana, Florida, Tennessee, Illinois, West Virginia, Michigan, Mississippi and Texas. Investors Heritage Life has licensed ordinary agents and regional managers throughout these states and credit life agents in over 338 banks and automobile dealerships.

Investors Heritage Life is also licensed in sixteen other states: Alabama, Arizona, Arkansas and Louisiana in the South and Southeast; Colorado, Missouri, New Mexico, North Dakota, South Dakota, Oklahoma, Montana, Nebraska, Kansas and Utah in the West; and Maryland and Pennsylvania in the North. The business in these states is written mostly through general agents.

Forward Looking Information. The Company cautions readers regarding certain forward-looking statements contained in this report and in any other statements made by, or on behalf of, the

Company, whether or not in future filings with the Securities and Exchange Commission (the "SEC"). Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results, or other developments. Statements using verbs such as "expect," "anticipate," "believe" or words of similar import generally involve forward-looking statements. Without limiting the foregoing, forward-looking statements include statements which represent the Company's beliefs concerning future levels of sales and redemptions of the Company's products, investment spreads and yields, or the earnings and profitability of the Company's activities.

Forward looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control and many of which are subject to change. These uncertainties and contingencies could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company. Whether or not actual results differ materially from forward-looking statements may depend on numerous foreseeable and unforeseeable factors and developments. Some of these may be national in scope, such as general economic conditions, changes in tax law and changes in interest rates. Some may be related to the insurance industry generally, such as pricing competition, regulatory developments, industry consolidation and the effects of competition in the insurance business from other insurance companies and other financial institutions operating in the Company's market area and elsewhere. Others may relate to the Company specifically, such as credit, volatility and other risks associated with the Company's investment portfolio. The Company cautions that such factors are not exclusive. The Company disclaims any obligation to update forward-looking information.

Item 2. Properties

The physical property of the Company consists of the home office building and grounds, owned in fee, at 200 Capital Avenue, Frankfort, Kentucky. Adjacent to the home office, the Company owns additional property on Second Street and on Shelby Street in Frankfort, Kentucky. One building is used for agency and company meetings; one building is a print shop used by Investors Heritage Printing, one building is used for supplies and additional storage; one building is leased to a commercial tenant and one building is a residential apartment building.

Item 3. Legal Proceedings

There are no legal proceedings to which Kentucky Investors is a party. There are no legal proceedings to which Investors Heritage Life is a party that are material to the overall financial condition or results of operations of Kentucky Investors.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) (i) The information relative to the market value of the Company's stock appears on page 44 of the Annual Report to the Stockholders for the year ended December 31, 2004, and is incorporated herein by reference.

(ii) Approximate Number of Equity Security Holders

(A)
Title of Class
Common Stock

(B)
Number of Holders of Record 12-31-2004
4,142

(iii) Dividends

Kentucky Investors, Inc. paid dividends totaling \$531,908 to stockholders in 2004, representing \$.38 per share. The 2004 cash dividend to be paid April 8, 2005, to stockholders of record March 24, 2005, is \$.38 per share.

(iv) Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	66,000	\$23.00	184,000
Equity compensation plans not approved by security holders	-	-	-
Total	66,000	\$23.00	184,000

(b) None

(c) The following table shows repurchases of the Company's equity securities:

Shares	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plan
10/1/04--10/31/04	-	\$ -	-	-
11/1/04--11/30/04	30,000	26.80	-	-
12/1/04--12/31/04	<u>2,559</u>	26.55	-	-
TOTAL	<u>32,559</u>	\$ 26.78	-	-

(1) No share repurchases were made pursuant to a publicly announced plan or program. Of the amount repurchased, 2,559 shares were tendered by employees as part of the Company's 401(k) Plan and 30,000 shares were purchased from Jerry F. Howell, Jr., a member of the Board of Directors of Kentucky Investors and Investors Heritage. The purchase price for the shares repurchased from Mr. Howell was established pursuant to an agreement between Kentucky Investors and Mr. Howell under a right of first refusal. The right of first refusal exists for all of the original shareholders of Kentucky Investors, of which Mr. Howell was one.

(2) Average price paid per share is calculated on a settlement basis and excludes commission.

Item 6. Selected Financial Data

Selected financial data for the past five years appears on page 19 in the Annual Report to the Stockholders for the year ended December 31, 2004, and is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of financial condition and results of operations appears on pages 6-18 in the Annual Report to the Stockholders for the year ended December 31, 2004, and is incorporated herein by reference.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

Information appearing under the caption "Market Risk Exposures" appears on page 17 in the Annual Report to the Stockholders for the year ended December 31, 2004, and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The financial statements and notes appear on pages 20-43 in the Annual Report to the Stockholders for the year ended December 31, 2004 and are incorporated herein by reference. See Part IV, Item 15.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9a. Controls and Procedures

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. As of the end of the period covered by this annual report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's internal controls over financial reporting as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in this Annual Report on Form 10-K. There have been no significant changes in the Company's internal controls or in other factors during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9b. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

(a) The Executive officers and directors of the Company are:

Name, Position & Year Became Officer/Director Family Relationship	Age
Harry Lee Waterfield II Chairman of the Board, President/1963	61
Jimmy R. McIver, Treasurer/2000	53
Nancy Waterfield Walton First Vice President/1988 Sister of Harry Lee Waterfield II	65
Robert M. Hardy, Jr. Director, Vice President and General Counsel/1988 Nephew of Harry Lee Waterfield II	47
Raymond L. Carr, Chief Financial Officer, Vice President/2002	56
Jane S. Jackson, Secretary/2003	50
Helen S. Wagner, Director/1986	68
Gordon C. Duke, Director/1991	59
Harold G. Doran, Jr. Director/2001	51
Howard L. Graham, Director/2002	70
Jerry F. Howell, Jr., Director/1983	63
David W. Reed, Director/1982	50
Michael F. Dudgeon, Jr./2004	43

(b) Each of the Directors has occupied the position indicated for a period of more than five years unless otherwise stated in the information regarding the business experience of the Directors who are not officers of the Company which is shown on pages 3 of the Proxy Statement of the Annual Meeting of Shareholders to be held on May 12, 2005, and is incorporated herein by reference.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any Director or Executive Officer during the past five years.

Officers are appointed annually by the Board of Directors at the Board meeting immediately following the Annual Meeting of Shareholders. There are no arrangements or any understandings between any officer and any other person pursuant to which the office was selected.

The Board of Directors has determined that Audit Committee members Harold G. Doran, Jr. and Gordon C. Duke are audit committee financial experts as defined by Item 401(h) of Regulation S-K of the Exchange Act and are independent as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act. The company has a designated Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Harold G. Doran, Jr., Gordon C. Duke, Jerry F. Howell, Jr. and David W. Reed. All members of the Audit Committee are independent.

The Company has adopted a written code of ethics that applies to the Company's President and Chief Executive Officer, the Chief Financial Officer and all other corporate officers designated by the Chief Executive Officer. The Company has posted a copy of the code on the Company's internet website at the internet address: <http://www.InvestorsHeritage.com>. Copies of the code may be obtained free of charge from the Company's website at the above internet address.

Item 11. Executive Compensation

Information regarding compensation of executive officers and transactions with executive officers and directors is shown on page 6 of the Proxy Statement for the Annual Meeting of Shareholders to be held May 12, 2005, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Security ownership by Officers, Directors, and management is shown on pages 4-5 of the Proxy Statement for the Annual Meeting of Shareholders to be held May 12, 2005, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Certain relationships and related transactions are shown on page 9 of the Proxy Statement for the Annual Meeting of Shareholders to be held May 12, 2005, and are incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information regarding accounting fees and services is shown on page 9 of the Proxy Statement for the Annual Meeting of Shareholders to be held May 12, 2005, and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)1. The following financial statements incorporated herein by reference in Item 8 to the Company's Annual Report to Stockholders for the year ended December 31, 2004 (pages 20-43) filed as Exhibit 1 thereto:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2004 and 2003

For each of the three years in the period ended December 31, 2004:

Consolidated Statements of Income

Consolidated Statements of Stockholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

(a)2. Consolidated Financial Statement Schedules

Schedule I -- Summary of Investments -- Other Than Investments in Related Parties

Schedule II -- Condensed Financial Information of Registrant

Schedule III -- Supplementary Insurance Information

Schedule IV -- Reinsurance

All other schedules have been omitted as not applicable, not required, or the required information has been included in the financial statements or notes thereto.

INDEX TO EXHIBITS

(a)3. Listing of Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
3.1	Articles of Incorporation of the Company, as amended, is incorporated by reference as Exhibit 3.1 to the Company's registration statement on Form S-4 filed on 10-7-1999 (File No. 333-87947).
3.2	By-Laws of the Company, as amended, is incorporated by reference as Exhibit 3.2 to the Company's registration statement on Form S-4 filed on 10-7-1999 (File No. 333-87947).
11	Statements re: computation of Per Share Earnings is contained in Note A to the Consolidated Financial Statements, "Common Stock and Earnings per Share", on pages 28-29 of the Annual Report to the Stockholders for the year ended December 31, 2004, and is incorporated herein by reference.
13	Annual Report to the Stockholders for the year ended December 31, 2004 is attached hereto as Exhibit 1 and is incorporated hereby by reference.
23	Consent of Independent Registered Public Accounting Firm.
31.1 & 31.2	Certifications pursuant to Securities and Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*The material included in this Report shall not be deemed to be "filed" with the Commission or otherwise subject to the liabilities of Section 18 of the Act, except to the extent that this registrant specifically incorporates it in its Annual Report on this Form 10-K by reference.

(b) See Item 15(a)3 above.

(c) Financial Statement Schedules - The response to this portion of Item 15 is submitted as a separate section of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

KENTUCKY INVESTORS, INC.

March 24, 2005
DATE

/s/Harry Lee Waterfield II
BY: Harry Lee Waterfield II
ITS: Chairman of the Board and President

Exhibit 32.1

Harry Lee Waterfield II and Raymond L. Carr, being the President and Chief Financial Officer and Vice President, respectively, of Kentucky Investors, Inc., hereby certify as of this 24th day of March, 2005, that the Form 10-K for the Year ended December 31, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Kentucky Investors, Inc.

KENTUCKY INVESTORS, INC.

DATE: March 24, 2005

/s/ Harry Lee Waterfield II
BY: Harry Lee Waterfield II
President

DATE: March 24, 2005

/s/ Raymond L. Carr
BY: Raymond L. Carr
Chief Financial Officer – Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report is signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/Harry Lee Waterfield II
Harry Lee Waterfield II
Chairman of the Board and President
Principal Executive Officer
March 17, 2005

/s/Robert M. Hardy, Jr.
Robert M. Hardy, Jr.
Vice President, General Counsel and Director
March 17, 2005

/s/Jimmy McIver
Jimmy McIver
Treasurer
March 17, 2005

/s/Raymond L. Carr
Raymond L. Carr
Chief Financial Officer
Vice President
March 17, 2005

/s/Gordon Duke
Gordon Duke
Director
March 17, 2005

/s/Helen S. Wagner
Helen S. Wagner
Director
March 17, 2005

/s/Harold G. Doran
Harold G. Doran

Director
March 17, 2005

/s/David W. Reed
David W. Reed
Director
March 17, 2005

/s/Jerry F. Howell, Jr.
Jerry F. Howell, Jr.
Director
March 17, 2005

/s/ Howard L. Graham
Howard L. Graham
Director
March 17, 2005

CERTIFICATIONS

Exhibit 31.1

I, Harry Lee Waterfield II, certify that:

1. I have reviewed this annual report on Form 10-K of Kentucky Investors, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant, and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared,
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation, and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 24, 2005

By: /s/ Harry Lee Waterfield II
Harry Lee Waterfield II
President

Exhibit 31.2

I, Raymond L. Carr, certify that:

1. I have reviewed this annual report on Form 10-K of Kentucky Investors, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant, and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared,
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation, and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent

evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 24, 2005

By: /s/ Raymond L. Carr
Raymond L. Carr
Chief Financial Officer – Vice President

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Kentucky Investors, Inc. of our report dated March 11, 2005, included in the 2004 Annual Report to Shareholders of Kentucky Investors, Inc.

Our audits also included the financial statement schedules of Kentucky Investors, Inc. listed in Item 15(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/Ernst & Young LLP

Cincinnati, Ohio
March 22, 2005

SCHEDULE I -- SUMMARY OF INVESTMENTS -- OTHER THAN INVESTMENT IN RELATED PARTIES

KENTUCKY INVESTORS, INC.
DECEMBER 31, 2004

<u>TYPE OF INVESTMENT</u>	<u>COST</u>	<u>VALUE</u>	<u>AMOUNT SHOWN IN BALANCE SHEET</u>
Fixed maturities:			
Bonds:			
United States and government agencies and authorities	\$ 38,946,679	\$ 41,291,638	\$ 41,291,638
States and political subdivisions	14,469,235	15,217,528	15,217,528
Foreign	21,011,877	23,584,353	23,584,353
Mortgage-backed securities	35,818,117	36,347,903	36,347,903
Corporate	158,780,789	169,202,718	169,202,718
Redeemable preferred stock	<u>57,094</u>	<u>69,100</u>	<u>69,100</u>
Total fixed maturities	<u>\$269,083,791</u>	<u>\$285,713,240</u>	<u>\$285,713,240</u>
Equity securities:			
Common Stocks:			
Banks, trust & insurance companies	\$ 490,761	\$ 1,369,890	\$ 1,369,890
Industrial, miscellaneous and all other	470,464	884,739	884,739
Nonredeemable preferred stocks	<u>4,036,690</u>	<u>4,039,632</u>	<u>4,039,632</u>
Total equity securities	<u>\$ 4,997,915</u>	<u>\$ 6,294,261</u>	<u>\$ 6,294,261</u>
Mortgage loans on real estate	24,339,656	XXXXXXXXXXXX	24,339,656
Policy loans	7,423,238	XXXXXXXXXXXX	7,423,238
Other long term investments	688,858	XXXXXXXXXXXX	688,858
Short-term investments	<u>638,003</u>	<u>XXXXXXXXXXXX</u>	<u>638,003</u>
Total investments	<u>\$307,171,461</u>	XXXXXXXXXXXX	<u>\$325,097,256</u>

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

KENTUCKY INVESTORS, INC. (PARENT COMPANY ONLY)
 CONDENSED BALANCE SHEET
 FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets:		
Cash and cash equivalents	\$ 87,503	\$ 62,387
Investment in subsidiary	55,419,342	56,302,540
Other assets	3,033,319	443,375
Other long term investments	<u>398,495</u>	<u>2,884,231</u>
 Total assets	 <u>\$58,938,659</u>	 <u>\$59,692,533</u>
Liabilities:		
Notes payable	\$ 5,464,463	\$ 5,033,355
Notes payable to affiliate	4,000,000	4,000,000
Other liabilities	344,446	583,657
Taxes payable	6,133	(79,000)
Stockholders' equity:		
Common stock	1,099,666	1,136,361
Paid in surplus	8,560,130	8,549,970
Unrealized appreciation of available-for-sale securities of subsidiary	10,406,040	12,139,714
Retained earnings	<u>29,057,781</u>	<u>28,328,476</u>
 Total stockholders' equity	 <u>\$49,123,617</u>	 <u>\$50,154,521</u>
 Total liabilities and stockholders' equity	 <u>\$58,938,659</u>	 <u>\$59,692,533</u>

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
 (CONTINUED)
 KENTUCKY INVESTORS, INC.
 PARENT COMPANY ONLY
 CONDENSED STATEMENTS OF INCOME
 FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Income			
From printing services to:			
Affiliated companies	\$ 228,863	\$ 294,923	\$ 299,180
Others	160,955	177,766	194,437
Realized gain on investments	188	-0-	-0-
Other services to subsidiaries	182,303	203,279	228,525
Dividends from subsidiaries	737,097	734,597	659,930
Interest and other income	<u>689,801</u>	<u>308,810</u>	<u>341,050</u>
	\$1,999,207	\$1,719,375	\$1,723,122
Operating expenses	<u>\$ 681,367</u>	<u>\$1,184,960</u>	<u>\$ 780,584</u>
Operating income before equity in earnings of subsidiary	\$1,317,840	\$ 534,415	\$ 942,538
Equity in earnings of subsidiary for the year	<u>\$ 954,604</u>	<u>\$ 45,438</u>	<u>\$ 413,255</u>
Income before provision for income taxes	<u>\$2,272,444</u>	<u>\$ 579,853</u>	<u>\$1,355,793</u>
Provision for income taxes			
Current	\$ 42,665	\$ 77,575	\$ 107,984
Deferred	<u>74,000</u>	<u>(70,000)</u>	<u>(9,000)</u>
	<u>\$ 116,665</u>	<u>\$ 7,575</u>	<u>\$ 98,984</u>
Net income	<u>\$2,155,779</u>	<u>\$ 572,278</u>	<u>\$1,256,809</u>
Earnings per share, basic	<u>\$ 1.91</u>	<u>\$.50</u>	<u>\$ 1.11</u>
Earnings per share, diluted	<u>\$ 1.91</u>	<u>\$.49</u>	<u>\$ 1.10</u>

SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(Continued)
KENTUCKY INVESTORS, INC.
PARENT COMPANY ONLY
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net cash provided by (used in) operating and investing activities	<u>\$ 1,091,975</u>	<u>\$ (982,138)</u>	<u>\$ 652,184</u>
Financing activities			
Dividends	\$ (531,908)	\$ (538,160)	(538,160)
Acquisition of treasury stock	(816,971)	(436,854)	(3,757)
Acquisition of affiliated stock	-0-	-0-	(4,000,000)
Payments on notes payable	(818,100)	(738,326)	(1,325,798)
Proceeds from notes payable	1,249,208	3,385,043	5,468,362
Notes receivable	<u>(149,088)</u>	<u>(689,998)</u>	<u>(382,614)</u>
Cash provided by (used in) financing activities	<u>\$(1,066,859)</u>	<u>\$ 981,705</u>	<u>\$ (781,967)</u>
Increase (decrease) in cash	\$ 25,116	\$ (433)	\$ (129,783)
Cash and cash equivalents at beginning of year	<u>\$ 62,387</u>	<u>\$ 62,820</u>	<u>\$ 192,603</u>
Cash and cash equivalents at end of year	<u>\$ 87,503</u>	<u>\$ 62,387</u>	<u>\$ 62,820</u>

Schedule III - Supplementary Insurance Information

Kentucky Investors, Inc.
For the Years Ended December 31, 2004, 2003, and 2002

Year Ended December 31

Segments	Deferred Acquisition Costs	Benefit Reserves	Unearned Premiums	Other Policy Claims and Benefits Payable	Premium Revenue	Net Investment Income (1), (3)	Policy Benefits and Claims	Amortization of Deferred Acquisition Cost	Other Operating Expenses (2)
2004:									
Preneed	\$17,030,243	\$257,248,622	\$ -	\$1,185,369	\$28,867,535	\$12,802,652	\$26,383,087	\$4,807,796	\$4,918,722
Traditional	5,599,396	72,635,282	1,172	1,915,368	7,803,360	4,183,132	8,169,395	1,022,097	1,549,509
Credit	2,449	1,659,866	15,185,586	289,363	(30)	35	(800)	359	129,740
Corporate & Other	-	700,847	23,557	299,567	375,230	1,518,899	8,005,654	-	687,544
Total	\$22,632,088	\$332,244,617	\$15,210,315	\$3,689,667	\$37,046,095	\$18,504,718	\$42,557,336	\$5,830,252	\$7,285,515
2003:									
Preneed	\$17,876,070	\$253,440,192	\$ -	\$1,115,967	\$33,026,460	\$12,634,365	\$27,336,090	\$5,350,934	\$5,778,383
Traditional	5,419,486	71,835,542	1,700	2,063,215	8,189,266	4,241,737	7,414,261	1,552,063	1,597,388
Credit	2,813	2,335,708	17,005,198	309,033	5,313	134	(4,453)	983	289,069
Corporate & Other	-	7,992,997	7,799	240,514	533,373	2,422,418	598,377	6,197	1,052,697
Total	\$23,298,369	\$335,604,439	\$17,014,697	\$3,728,729	\$41,754,412	\$19,298,654	\$35,344,275	\$6,910,177	\$8,717,537
2002:									
Preneed	\$18,620,006	\$246,389,692	\$ -	\$1,242,937	\$43,651,615	\$12,755,458	\$26,094,505	\$6,579,050	\$5,050,900
Traditional	5,641,939	68,815,243	2,591	2,094,065	8,874,011	4,581,957	7,794,479	1,474,666	1,704,651
Credit	3,796	2,719,260	18,948,820	451,493	(68,921)	484	(2,890)	2,493	225,743
Corporate & Other	6,201	7,412,103	17,525	219,245	607,473	2,011,601	175,522	(3,278)	540,969
Total	\$24,271,942	\$325,336,298	\$18,968,936	\$4,007,740	\$53,064,178	\$19,349,500	\$34,061,616	\$8,052,931	\$7,522,263

(1)Net investment income is allocated in proportion to policy liabilities and stockholder' equity for the subsidiary and to the corporate segment for the parent.

(2)Other operating expenses are assigned directly to the applicable segment for the subsidiary and to the corporate segment for the parent.

(3)Included realized investment gains or losses.

Schedule IV - Reinsurance

Kentucky Investors, Inc.
For the Years Ended December 31, 2004, 2003, and 2002

Year Ended December 31

	Gross Amount	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
2004:					
Life insurance in force:	\$1,777,326,000	\$869,881,000	\$1,517,341,000	\$2,424,786,000	62.6%
Premiums:					
Life insurance	\$ 43,657,154	\$ 10,108,899	\$ 3,494,351	\$ 37,042,606	9.4%
Accident & health insurance	3,443,903	3,440,414	-	\$ 3,489	0.0%
Total	\$ 47,101,057	\$ 13,549,313	\$ 3,494,351	\$ 37,046,095	9.4%
2003:					
Life insurance in force:	\$1,843,153,000	\$721,162,000	\$1,480,270,000	\$2,602,261,000	56.9%
Premiums:					
Life insurance	\$ 49,505,417	\$ 10,928,733	\$ 3,173,026	\$ 41,749,710	7.6%
Accident & health insurance	3,912,177	3,907,475	-	\$ 4,702	0.0%
Total	\$ 53,417,594	\$ 14,836,208	\$ 3,173,026	\$ 41,754,412	7.6%
2002:					
Life insurance in force:	\$1,860,666,000	\$736,567,000	\$1,441,546,000	\$2,565,645,000	56.2%
Premiums:					
Life insurance	\$ 61,422,612	\$ 11,363,521	\$ 2,995,267	\$ 53,054,358	5.6%
Accident & health insurance	4,275,455	4,275,558	9,923	\$ 9,820	101.0%
Total	\$ 65,698,067	\$ 15,639,079	\$ 3,005,190	\$ 53,064,178	5.7%