

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549



03025866

FORM 11-K

ANNUAL REPORT



(X) ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the Fiscal Year Ended December 31, 2002

( ) TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission File Number 0-1999

Full Title of Plan:

Kentucky Investors, Inc.,  
and Affiliated Companies 401(K) Savings Plan and Trust Agreement

Name of issuer of the securities held pursuant to the plan and the address of its principal office:

Kentucky Investors, Inc., and  
Investors Heritage Life Insurance Company  
200 Capital Avenue, P. O. Box 717  
Frankfort, Kentucky 40602

**PROCESSED**

JUL 03 2003

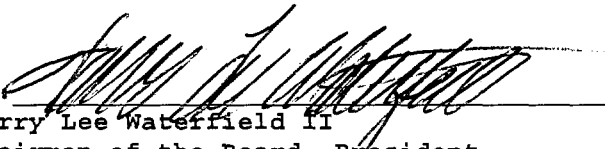
THOMSON  
FINANCIAL

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the under-signed hereunto duly authorized.

KENTUCKY INVESTORS, INC., AND AFFILIATED  
COMPANIES 401(K) SAVINGS PLAN AND  
TRUST AGREEMENT

Date: June 20, 2003

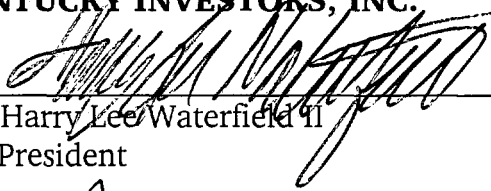
BY   
Harry Lee Waterfield II  
Chairman of the Board, President  
Kentucky Investors, Inc.

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

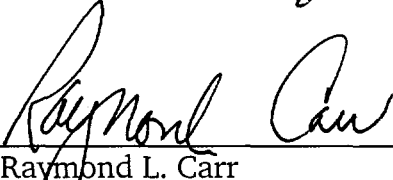
Harry Lee Waterfield II and Raymond L. Carr, being the President and Vice President, Chief Financial Officer, respectively, of Kentucky Investors, Inc., hereby certify as of this 18th day of June, 2003, that the Form 11-K for the year ended December 31, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 11-K fairly presents, in all material respects, the financial condition and results of operations of the Kentucky Investors, Inc., and Affiliated Companies 401(k) Savings Plan and Trust Agreement.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Kentucky Investors, Inc. and will be retained by Kentucky Investors, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**KENTUCKY INVESTORS, INC.**

  
\_\_\_\_\_  
BY: Harry Lee Waterfield II  
President

DATE: June 20, 2003

  
\_\_\_\_\_  
BY: Raymond L. Carr  
Vice President - Chief Financial Officer

DATE: June 20, 2003

FINANCIAL STATEMENTS

Kentucky Investors, Inc. and Affiliated Companies 401(k) Savings Plan

For each of the three years in the period ended December 31, 2002  
with Report of Independent Auditors

Kentucky Investors, Inc. and Affiliated Companies  
401(k) Savings Plan

Audited Financial Statements

For each of the three years in the  
period ended December 31, 2002

**Contents**

Report of Independent Auditors.....	1
Audited Financial Statements	
Statements of Financial Condition.....	2
Statements of Income and Changes in Plan Equity .....	3
Notes to Financial Statements.....	4

## Report of Independent Auditors

The Board of Directors  
Kentucky Investors, Inc.

We have audited the accompanying statements of financial condition of the Kentucky Investors, Inc. and Affiliated Companies 401(k) Savings Plan as of December 31, 2002 and 2001, and the related statements of income and changes in plan equity for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan at December 31, 2002 and 2001, and the income and changes in plan equity for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

April 18, 2003

Kentucky Investors, Inc. and Affiliated Companies  
401(k) Savings Plan

Statements of Financial Condition

	<b>December 31</b>	
	<b>2002</b>	<b>2001</b>
<b>Assets</b>		
Investments in securities of participating employers—at fair value:		
Kentucky Investors, Inc. common stock—297,574 and 273,000 shares—cost \$5,149,675 and \$4,549,390 for 2002 and 2001, respectively	<b>\$ 6,963,231</b>	<b>\$ 6,142,505</b>
Cash	<b>18,032</b>	<b>44,663</b>
<b>Plan Equity</b>	<b><u>\$ 6,981,263</u></b>	<b><u>\$ 6,187,168</u></b>

*See accompanying notes.*

Kentucky Investors, Inc. and Affiliated Companies  
401(k) Savings Plan

Statements of Income and Changes in Plan Equity

	Year ended December 31		
	2002	2001	2000
Investment income—dividends on common stock of participating employers	\$ 105,244	\$ 100,971	\$ 95,219
Contributions:			
Participating employers	273,742	258,187	218,041
Participants	273,742	258,187	218,041
	547,484	516,374	436,082
Distributions to participants	(83,373)	(521,398)	(86,928)
	569,355	95,947	444,373
Net appreciation (depreciation) in aggregate fair value of common stock investments	224,740	474,020	(648,100)
Net increase (decrease) in Plan equity	794,095	569,967	(203,727)
Plan equity at beginning of year	6,187,168	5,617,201	5,820,928
Plan equity at end of year	\$ 6,981,263	\$ 6,187,168	\$ 5,617,201

*See accompanying notes.*

Kentucky Investors, Inc. and  
Affiliated Companies  
401(k) Savings Plan

Notes to Financial Statements

December 31, 2002

**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements of the Kentucky Investors, Inc. and Affiliated Companies 401(k) Savings Plan (the Plan) are prepared on the accrual basis of accounting.

**Valuation of Investments**

Investments are stated at fair value based upon quoted bid prices on the last business day of the Plan year. Stock distributions are recorded on an average cost basis.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**2. Description of the Plan**

The Plan is a defined contribution plan that was established as an incentive to eligible employees of Kentucky Investors, Inc. (Kentucky Investors), Investors Heritage Life Insurance Company (Investors Heritage) and Investors Heritage Printing, Inc. (collectively, the Sponsoring Companies).

Participants have the option of investing their contributions and the matching employer contributions in Kentucky Investors common stock. Participants have the additional option of directing their contributions to select mutual funds. A participant can change the election of future contributions semiannually.



Kentucky Investors, Inc. and  
Affiliated Companies  
401(k) Savings Plan

Notes to Financial Statements (continued)

**2. Description of the Plan (continued)**

All employees completing 1,000 or more hours of service within the year are eligible to participate. Employees who meet the eligibility requirements and elect to participate are entitled to make voluntary contributions of 1 percent to 10 percent of eligible compensation. The applicable participating employer will then contribute an amount equal to the employee contributions if the selected investment option is Kentucky Investors stock. If the selected investment option consists of mutual funds, the participating employer will contribute an amount equal to 10 percent of the employee contributions. At its discretion, the participating employer may contribute an amount greater than the employee contributions, subject to certain limitations.

The Plan is administered by a committee appointed by the Board of Directors of Kentucky Investors and the Plan trustee is Farmers Bank and Capital Trust Company of Frankfort, Kentucky. Purchases of common stock by the trustee for the Plan may be made in open market transactions with unrelated parties or may be purchased directly from Kentucky Investors or Investors Heritage.

Each participant's account is credited with the participant's contributions and an allocation of (a) Employer contributions and (b) Plan earnings. In addition, each participant's account may be charged with an allocation of administrative expenses. Allocations are based on participant elective contributions or account balances, as defined. Forfeited balances of terminated participants' non-vested accounts may be used to reduce future employer contributions at the discretion of the Sponsoring Companies. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Participants are fully vested as to employee contributions. Participants are partially vested as to their share of employer contributions after two years of service and fully vested after six years. Participants who reach the normal retirement age while employed by the company also will be fully vested. On termination of service for death, disability or retirement, a participant may elect to receive either a lump-sum amount or monthly, quarterly or annual installments equal to the vested value of his or her account in the form of the Kentucky Investors securities allocated to their account. Prior to selling, or otherwise disposing of the stock, a former participant must first offer to sell it to the Sponsoring Companies at fair market value.

Kentucky Investors, Inc. and  
Affiliated Companies  
401(k) Savings Plan

Notes to Financial Statements (continued)

**2. Description of the Plan (continued)**

When an employee withdraws from the Plan, the nonvested portion of the participating employer's contributions is forfeited. If a terminated employee returns to employment within five years, the Plan would be required to reinstate the participant's account upon repayment of amounts previously distributed to the employee.

Although it has expressed no intention to do so, the Board of Directors of Kentucky Investors is authorized to amend or terminate the Plan at any time. Further, the Board of Directors of any of the sponsoring companies may, at any time, terminate the Plan with respect to the employees of that company. Should the Plan be terminated, each participant's account would become 100 percent vested.

More detailed information concerning the Plan may be found by consulting the *Summary Plan Description*.

**3. Investment Options**

The Plan provides for separate investment programs with separate funds. As of December 31, 2002 and 2001, all assets of the Plan were held in the Kentucky Investors Common Stock investment option.

**4. Income Tax Status**

The Plan has received a determination letter from the Internal Revenue Service dated November 27, 2002, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, is qualified and the related trust is tax exempt.

Kentucky Investors, Inc. and  
Affiliated Companies  
401(k) Savings Plan

Notes to Financial Statements (continued)

**5. Transactions with Related Parties**

The Plan has investments in common stock of Kentucky Investors.

Administrative expenses for the Plan have been paid by the sponsoring companies. The Plan is not charged for administrative services performed on its behalf by the participating employers.

**6. Contributions**

Contributions made by the Sponsoring Companies and their participating employees during the years ending December 31, 2002, 2001, and 2000 were as follows:

	<u>Investors Heritage</u>	<u>Investors Heritage Printing, Inc.</u>	<u>Total</u>
<b>Year ended December 31, 2002</b>			
Contributions:			
Participating employers	\$ 260,790	\$ 12,952	\$ 273,742
Participants	260,790	12,952	273,742
<b>Year ended December 31, 2001</b>			
Contributions:			
Participating employers	\$ 245,814	\$ 12,373	\$ 258,187
Participants	245,814	12,373	258,187
<b>Year ended December 31, 2000</b>			
Contributions:			
Participating employers	\$ 206,481	\$ 11,560	\$ 218,041
Participants	206,481	11,560	218,041