United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM **10-Q**

(Mark One)

[**X**] **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange act of 1934**

For the quarterly period ended March 31, 2024

[ ] **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period From _______________ to ________________ .

Commission file number: **000-52613**

FIRST TRINITY FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Oklahoma	**34-1991436**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

7633 East 63rd Place, Suite 230
Tulsa, Oklahoma 74133-1246
(Address of principal executive offices)

(918) 249-2438
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for 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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☑ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” "accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer: ☐ Accelerated filer: ☐ Non-accelerated filer: ☐ Smaller reporting company: ☑
Emerging growth company: ☐

If an emerging growth company, indicate by check mark if registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

State the number of shares outstanding of each of the issuer’s classes of common equity, as of the latest practicable date: As of May 8, 2024, the registrant had 9,384,340 shares of Class A common stock, .01 par value, outstanding and 101,102 shares of Class B common stock, .01 par value, outstanding.

Securities registered pursuant to section 12(b) of the Act: None.

FIRST TRINITY FINANCIAL CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTERLY PERIOD ENDED MARCH 31, 2024

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

First Trinity Financial Corporation and Subsidiaries
Consolidated Statements of Financial Position

	(Unaudited) March 31, 2024	December 31, 2023
Assets		
Investments		
Available-for-sale fixed maturity securities at fair value (amortized cost: $162,607,102 and $161,908,230 as of March 31, 2024 and December 31, 2023, respectively)	$ 149,703,695	$ 149,700,948
Equity securities at fair value (cost: $268,451 and $287,375 as of March 31, 2024 and December 31, 2023, respectively)	439,602	419,530
Mortgage loans on real estate	214,332,145	239,831,447
Investment real estate	1,455,774	1,305,403
Policy loans	3,523,881	3,474,116
Short-term investments	-	298,257
Other long-term investments	60,361,724	61,487,939
Total investments	429,816,821	456,517,640
Cash and cash equivalents	34,896,988	33,839,741
Accrued investment income	5,932,837	6,214,459
Recoverable from reinsurers	10,141,633	10,353,674
Assets held in trust under coinsurance agreement		
Available-for-sale fixed maturity securities at fair value (amortized cost: $49,918,244 and $56,824,160 as of March 31, 2024 and December 31, 2023, respectively)	44,705,087	51,651,259
Mortgage loans on real estate	18,681,745	27,581,881
Payable for securities	(5,945)	(4,414)
Cash and cash equivalents	1,989,618	711,733
Total assets held in trust under coinsurance agreement	65,370,505	79,940,459
Agents' balances and due premiums	1,413,901	1,284,003
Deferred policy acquisition costs	61,394,593	60,795,108
Value of insurance business acquired	3,726,016	3,777,353
Other assets	18,682,087	19,299,098
Total assets	$ 631,375,381	$ 672,021,535
Liabilities and Shareholders' Equity		
Policy liabilities		
Policyholders' account balances	$ 361,193,652	$ 391,247,676
Future policy benefits	126,197,182	123,729,530
Policy claims	2,108,130	2,410,243
Other policy liabilities	237,725	250,294
Total policy liabilities	489,736,689	517,637,743
Funds withheld under coinsurance agreement	59,523,100	77,257,253
Deferred federal income taxes	4,431,860	4,228,189
Other liabilities	12,423,387	8,882,142
Total liabilities	566,115,036	608,005,327
Shareholders' equity		
Class A common stock, par value $.01 per share (40,000,000 shares authorized as of March 31, 2024 and December 31, 2023, 9,631,920 issued as of March 31, 2024 and December 31, 2023, 9,384,340 outstanding as of March 31, 2024 and December 31, 2023)	96,319	96,319
Class B common stock, par value $.01 per share (10,000,000 shares authorized, 101,102 issued and outstanding as of March 31, 2024 and December 31, 2023)	1,011	1,011
Additional paid-in capital	43,668,023	43,668,023
Treasury stock, at cost (247,580 shares as of March 31, 2024 and December 31, 2023)	(893,947)	(893,947)
Accumulated other comprehensive loss	(10,191,324)	(9,641,308)
Accumulated earnings	32,580,263	30,786,110
Total shareholders' equity	65,260,345	64,016,208
Total liabilities and shareholders' equity	$ 631,375,381	$ 672,021,535

See notes to consolidated financial statements.

First Trinity Financial Corporation and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Revenues		
Premiums	$ 9,651,005	$ 9,108,309
Net investment income	7,957,877	7,627,816
Net realized investment gains (losses)	40,061	(31,451)
Service fees	247,682	982,848
Other income	645,583	419
Total revenues	18,542,208	17,687,941
Benefits, Claims and Expenses		
Benefits and claims		
Increase in future policy benefits	2,581,015	3,287,664
Death benefits	3,510,753	3,953,162
Surrenders	577,357	432,866
Interest credited to policyholders	3,667,484	3,616,106
Dividend, endowment and supplementary life contract benefits	85,016	81,272
Total benefits and claims	10,421,625	11,371,070
Policy acquisition costs deferred	(2,925,293)	(3,735,611)
Amortization of deferred policy acquisition costs	2,325,711	2,021,411
Amortization of value of insurance business acquired	51,337	68,242
Commissions	2,781,727	3,560,008
Other underwriting, insurance and acquisition expenses	3,609,499	3,154,894
Total expenses	5,842,981	5,068,944
Total benefits, claims and expenses	16,264,606	16,440,014
Income before total federal income tax expense	2,277,602	1,247,927
Current federal income tax expense	133,572	145,873
Deferred federal income tax expense	349,877	86,958
Total federal income tax expense	483,449	232,831
Net income	$ 1,794,153	$ 1,015,096
Net income per common share		
Class A common stock	$ 0.1895	$ 0.1072
Class B common stock	$ 0.1610	$ 0.0911

See notes to consolidated financial statements (unaudited).

First Trinity Financial Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Net income	$ 1,794,153	$ 1,015,096
Other comprehensive income (loss)		
Total net unrealized gains (losses) arising during the period	(697,823)	3,576,936
Less net realized investment losses having no credit losses	(1,698)	(18,322)
Net unrealized gains (losses)	(696,125)	3,595,258
Less adjustment to deferred acquisition costs	97	1,091
Other comprehensive income (loss) before income tax expense (benefit)	(696,222)	3,594,167
Income tax expense (benefit)	(146,206)	754,776
Total other comprehensive income (loss)	(550,016)	2,839,391
Total comprehensive income	$ 1,244,137	$ 3,854,487

See notes to consolidated financial statements (unaudited).

First Trinity Financial Corporation and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

Three Months Ended March 31, 2024 and 2023

(Unaudited)

	Class A Common Stock $.01 Par Value	Class B Common Stock $.01 Par Value	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Earnings	Total Shareholders' Equity
Balance as of January 1, 2023	$ 96,319	$ 1,011	$ 43,668,023	$ (893,947)	$ (14,319,679)	$ 23,100,785	$ 51,652,512
Cumulative effect adjustment as of January 1, 2023:							
Accumulated credit loss January 1, 2023	-	-	-	-	230,036	(230,036)	-
Adjusted balance as of January 1, 2023	96,319	1,011	43,668,023	(893,947)	(14,089,643)	22,870,749	51,652,512
Comprehensive income:							
Net income	-	-	-	-	-	1,015,096	1,015,096
Other comprehensive income	-	-	-	-	2,839,391	-	2,839,391
Balance as of March 31, 2023	$ 96,319	$ 1,011	$ 43,668,023	$ (893,947)	$ (11,250,252)	$ 23,885,845	$ 55,506,999
Balance as of January 1, 2024	$ 96,319	$ 1,011	$ 43,668,023	$ (893,947)	$ (9,641,308)	$ 30,786,110	$ 64,016,208
Comprehensive income:							
Net income	-	-	-	-	-	1,794,153	1,794,153
Other comprehensive loss	-	-	-	-	(550,016)	-	(550,016)
Balance as of March 31, 2024	$ 96,319	$ 1,011	$ 43,668,023	$ (893,947)	$ (10,191,324)	$ 32,580,263	$ 65,260,345

See notes to consolidated financial statements (unaudited).

First Trinity Financial Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Operating activities		
Net income	$ 1,794,153	$ 1,015,096
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion of discount on investments	(1,182,060)	(1,234,765)
Net realized investment (gains) losses	(40,061)	31,451
Amortization of policy acquisition cost	2,325,711	2,021,411
Policy acquisition cost deferred	(2,925,293)	(3,735,611)
Amortization of value of insurance business acquired	51,337	68,242
Allowance for mortgage loan losses	(112,141)	(34,282)
Provision for deferred federal income tax expense	349,877	86,958
Interest credited to policyholders	3,667,484	3,616,106
Change in assets and liabilities:		
Accrued investment income	281,622	(297,762)
Recoverable from reinsurers	212,041	206,578
Assets held in trust under coinsurance agreement	15,583,777	1,813,341
Agents' balances and due premiums	(129,898)	(12,705)
Other assets	617,011	(1,393,604)
Future policy benefits	2,467,652	3,051,771
Policy claims	(302,113)	(234,022)
Other policy liabilities	(12,569)	95,007
Other liabilities (exclude change in payable for securities purchased of ($1,469) and $757,048 in 2024 and 2023, respectively)	3,542,714	(1,744,341)
Net cash provided by operating activities	26,189,244	3,318,869
Investing activities		
Purchases of fixed maturity securities	(1,778,887)	(223,594)
Maturities of fixed maturity securities	500,000	355,000
Sales of fixed maturity securities	533,349	1,428,450
Purchases of equity securities	(13,040)	(27,056)
Joint venture distribution	31,964	23,567
Purchases of mortgage loans	(11,016,161)	(30,763,562)
Payments on mortgage loans	36,539,747	39,540,138
Purchases of other long-term investments	(1,636,177)	(5,444,219)
Payments on other long-term investments	3,929,669	3,710,613
Policy loans	(49,765)	(158,154)
Short-term investments	298,257	(216,152)
Net change in receivable and payable for securities sold and purchased	(1,469)	757,048
Net cash provided by investing activities	27,337,487	8,982,079
Financing activities		
Policyholders' account deposits	7,327,231	32,853,989
Policyholders' account withdrawals	(59,796,715)	(23,365,092)
Net cash provided by (used in) financing activities	(52,469,484)	9,488,897
Increase in cash and cash equivalents	1,057,247	21,789,845
Cash and cash equivalents, beginning of period	33,839,741	33,542,725
Cash and cash equivalents, end of period	$ 34,896,988	$ 55,332,570

See notes to consolidated financial statements (unaudited).

First Trinity Financial Corporation and Subsidiaries
Consolidated Statements of Cash Flows (continued)
Supplemental Disclosure – Cash and Non-Cash Impact on Operating, Investing and Financing Activities

During the three months ended March 31, 2024, the Company foreclosed on residential mortgage loans of real estate totaling $150,371 and transferred that property to investment real estate that is now held for sale.

In conjunction with this foreclosure, the non-cash impact on investing activities is summarized as follows:

	Three Months Ended March 31, 2024
Reductions in mortgage loans due to foreclosure	$ 150,371
Investment real estate held-for-sale acquired through foreclosure	(150,371)
Net cash used in investing activities	$ -

See notes to consolidated financial statements (unaudited).

1. Organization and Significant Accounting Policies

Nature of Operations

First Trinity Financial Corporation (the "Company" or "FTFC") is the parent holding company of Trinity Life Insurance Company ("TLIC"), Family Benefit Life Insurance Company ("FBLIC"), Trinity Mortgage Corporation ("TMC") and Trinity American, Inc. ("TAI"). The Company was incorporated in Oklahoma on April 19, 2004, for the primary purpose of organizing a life insurance subsidiary.

The Company owns 100% of TLIC. TLIC owns 100% of FBLIC. TLIC and FBLIC are primarily engaged in the business of marketing, underwriting and distributing a broad range of individual life insurance and annuity products to individuals. TLIC's and FBLIC's current product portfolio consists of a modified premium whole life insurance policy with a flexible premium deferred annuity rider, whole life, term, final expense, accidental death and dismemberment and annuity products. The term products are both renewable and convertible and issued for 10, 15, 20 and 30 years. They can be issued with premiums fully guaranteed for the entire term period or with a limited premium guarantee. The final expense product is issued as either a simplified issue or as a graded benefit, determined by underwriting. The TLIC and FBLIC products are sold through independent agents. TLIC is licensed in the states of Alabama, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Montana, Nebraska, New Mexico, North Dakota, Ohio, Oklahoma, South Dakota, Tennessee, Texas, Utah and West Virginia. FBLIC is licensed in the states of Alabama, Arizona, Arkansas, Colorado, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Virginia and West Virginia.

The Company owns 100% of TMC that was incorporated in 2006 and began operations in January 2007. TMC's primary focus changed during 2020 from premium financing loans to originating, brokering and administrating residential and commercial mortgage loans for third parties.

The Company owns 100% of TAI. TAI was incorporated in Barbados, West Indies on March 24, 2016 for the primary purpose of forming a life insurance company producing United States (U.S.) dollar denominated life insurance policies and annuity contracts outside of the United States and Barbados. TAI is licensed as an Exempt Insurance Company under the Exempt Insurance Act of Barbados. TAI was initially involved in developing life insurance contracts but is now issuing life insurance policies and annuity contracts through an association with distribution channels. The Company's acquisition of TAI was formally approved by Barbados regulators and the certifications were received in 2019.

Company Capitalization

The Company raised $1,450,000 from two private placement stock offerings during 2004 and $25,669,480 from two public stock offerings and one private placement stock offering from June 22, 2005 through February 23, 2007; June 29, 2010 through April 30, 2012 and August 15, 2012 through March 8, 2013. The Company issued 7,347,488 shares of its common stock and incurred $3,624,518 of offering costs during these private placements and public stock offerings.

The Company also issued 702,685 shares of its common stock in connection with two stock dividends paid to shareholders in 2011 and 2012 that resulted in accumulated earnings being charged $5,270,138 with an offsetting credit of $5,270,138 to common stock and additional paid-in capital.

In 2020, the Company paid a $0.05 per share cash dividend for a total of $393,178 and issued 791,339 shares of Class A common stock in connection with a 10% stock dividend to its Class A shareholders. The 10% stock dividend resulted in accumulated earnings being charged $8,657,249 with an offsetting credit of $8,657,249 to common stock and additional paid-in capital.

The Company has also purchased 247,580 shares of treasury stock at a cost of $893,947 from former members of the Board of Directors including the former Chairman of the Board of Directors, a former agent, the former spouse of the Company's Chairman, Chief Executive Officer and President and a charitable organization where a former member of the Board of Directors had donated shares of the Company's common stock.

1. Organization and Significant Accounting Policies (continued)

Acquisition of Other Companies

On December 23, 2008, FTFC acquired 100% of the outstanding common stock of First Life America Corporation ("FLAC") from an unaffiliated company. The acquisition of FLAC was accounted for as a purchase. The aggregate purchase price for FLAC was $2,695,234 including direct costs associated with the acquisition of $195,234. The acquisition of FLAC was financed with the working capital of FTFC.

On December 31, 2008, FTFC made FLAC a 15 year loan in the form of a surplus note in the amount of $250,000 with an interest rate of 6% payable monthly, that was approved by the Oklahoma Insurance Department ("OID"). This surplus note is eliminated in consolidation.

On August 31, 2009, two of the Company's subsidiaries, Trinity Life Insurance Company ("Old TLIC") and FLAC, were merged, with FLAC being the surviving company. Immediately following the merger, FLAC changed its name to TLIC.

On December 28, 2011, TLIC acquired 100% of the outstanding common stock of FBLIC from FBLIC's shareholders. The acquisition of FBLIC was accounted for as a purchase. The aggregate purchase price for the acquisition of FBLIC was $13,855,129. The acquisition of FBLIC was financed with the working capital of TLIC.

On April 28, 2015, the Company acquired a block of life insurance policies and annuity contracts according to the terms of an assumption reinsurance agreement. The Company acquired assets of $3,644,839, assumed liabilities of $3,055,916 and recorded a gain on reinsurance assumption of $588,923.

On April 3, 2018, FTFC acquired 100% of the outstanding stock of TAI domiciled in Barbados, West Indies. The Barbados regulators approved the acquisition and supplied certifications during 2019. The aggregate purchase price for the acquisition of TAI was $250,000. The acquisition of TAI was financed with the working capital of FTFC.

Effective January 1, 2020, the Company acquired 100% of the outstanding common stock of K-TENN insurance company ("K-TENN") from its sole shareholder in exchange for 168,866 shares of FTFC's common stock. The acquisition of K-TENN was accounted for as a purchase. The aggregate purchase price of K-TENN was $1,746,240. Immediately subsequent to this acquisition, the $1,746,240 of net assets and liabilities of K-TENN along with the related life insurance business operations were contributed to TLIC.

On January 4, 2022, FTFC acquired Royalty Capital Life Insurance Company ("RCLIC") from Royalty Capital Corporation ("Royalty") in exchange for 722,644 shares of FTFC's Class A common stock issued to unrelated parties. Royalty was dissolved immediately after FTFC acquired RCLIC. On March 1, 2022, the Missouri Department of Commerce and Insurance approved FTFC's contribution and merger of RCLIC into FBLIC.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation of the results for the interim periods have been included.

The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for the year ended December 31, 2024 or for any other interim period or for any other future year. Certain financial information which is normally included in notes to consolidated financial statements prepared in accordance with U.S. GAAP, but which is not required for interim reporting purposes, has been condensed or omitted. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in the Company's report on Form 10-K for the year ended December 31, 2023.

1. Organization and Significant Accounting Policies (continued)

In first quarter 2023, the Company adopted Accounting Standards Update 2016-13 Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments and all related guidance dealing with the FASB's pronouncements dealing with changes in accounting for and recognizing credit losses.

Fixed maturity securities comprised of bonds and redeemable preferred securities are classified as available-for-sale and are carried at fair value with unrealized gains and losses, net of applicable income taxes, reported in accumulated other comprehensive income (loss). The amortized cost of fixed maturity securities available-for-sale is adjusted for amortization of premium and accretion of discount to maturity.

Interest income on fixed maturity securities, as well as the related amortization of premium and accretion of discount, is included in net investment income under the effective yield method. Dividend income on redeemable preferred securities are recognized in net investment income when declared. The amortized cost of fixed maturity securities available-for-sale are written down to fair value when a decline in value is considered to be other-than-temporary.

The Company evaluates the difference between the cost or amortized cost and estimated fair value of its fixed maturity securities to determine whether any decline in value is the result of a credit loss or other factors. An allowance for credit losses is recorded against available-for-sale securities to reflect the amount of an unrealized loss attributed to credit. This impairment is limited by the amount that the fair value is less than the amortized cost basis. Any remaining unrealized loss is recognized in other comprehensive income (loss) with no change to the cost basis of the security. This determination involves a degree of uncertainty. Changes in the allowance for credit losses are recognized in earnings.

The assessment and determination of whether or not a credit loss exists is based on consideration of the cash flows expected to be collected from the fixed maturity security. The Company develops those expectations after considering various factors such as agency ratings, the financial condition of the issuer or underlying obligors, payment history, payment structure of the security, industry and market conditions, underlying collateral, and other factors that may be relevant based on the facts and circumstances pertaining to individual securities.

If the Company intends to sell the fixed maturity security or will be more likely than not be required to sell the fixed maturity security before recovery of its amortized cost basis, then any allowance for credit losses, if previously recorded is written off and the fixed maturity security's amortized cost is written down to the security's fair value as of the reporting date with any incremental impairment recorded as a charge to noninterest income.

Equity securities are comprised of mutual funds and common stocks and are carried at fair value. The associated unrealized gains and losses are included in net realized investment gains (losses). Dividends from these investments are recognized in net investment income when declared.

Mortgage loans are carried at unpaid balances, net of unamortized premium or discounts. This measurement of mortgage loans on an amortized cost basis is reduced by an allowance for credit losses representing a valuation allowance that is deducted from the amortized costs basis of mortgage loans to present the net carrying value at the amount expected to be collected on the mortgage loans.

Interest income and the amortization of premiums or discounts are included in net investment income. Mortgage loan fees, certain direct loan origination costs, and purchase premiums and discounts on loans are recognized as an adjustment of yield by the interest method based on the contractual terms of the loan. In certain circumstances, prepayments may be anticipated.

1. Organization and Significant Accounting Policies (continued)

The statement of operations reflects the measurement of credit losses for newly recognized mortgage loans as well as the expected increases or decreases of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported mortgage loan balances. The Company uses judgment in determining the relevant information and estimation methods that are appropriate in establishing the valuation allowance for credit losses. The allowance for credit losses for mortgage loans with a more-than-insignificant amount of credit determination since origination is determined and the initial allowance for credit losses should be added to the purchase price of mortgage loans rather than being reported as a credit loss expenses.

The Company, however, has established and will continue to establish a valuation allowance for mortgage loans on real estate that are not supported by funds held in escrow based on historical patterns. The Company's foreclosed properties have not resulted in accumulated losses and due to the low loan-to-value the Company holds with respect to its mortgage loans, the Company has not recorded and does not expect to record the addition to the purchase price of mortgage loans an initial allowance for credit losses to be amortized over the life of the mortgage loans. The Company will continue to record credit losses for mortgage loans not supported by funds held in escrow in accordance with its valuation policy for mortgage loans on real estate followed before 2023.

While the Company utilizes its best judgment and information available, the ultimate adequacy of this allowance is dependent upon a variety of factors beyond our control, including the performance of the residential and commercial mortgage loan portfolio, the economy and changes in interest rates. The allowance for possible mortgage loan losses consists of specific valuation allowances established for probable losses on specific loans and a portfolio reserve for probable incurred but not specifically identified loans.

The Company considers mortgage loans on real estate impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the mortgage loan agreement. Impairment is measured on a loan-by-loan basis. Factors that the Company considers in determining impairment include payment status, collateral value of the real estate subject to the mortgage loan and the probability of collecting scheduled principal and interest payments when due. Mortgage loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired.

The Company determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the mortgage loan on real estate and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

Investment real estate in land held for both the production of income and for sale is carried at cost. Investment real estate obtained through foreclosure on mortgage loans on real estate is carried at the lower of acquisition cost or net realizable value.

Policy loans are carried at unpaid principal balances. Interest income on policy loans is recognized in net investment income at the contract interest rate when earned.

Other long-term investments are comprised of lottery prize receivables and are carried at amortized cost. Interest income and the accretion of discount are included in net investment income. These investments are backed by the lottery departments at the various states by U.S. Treasury Bonds and Notes or in the case of Pennsylvania, by annuities purchased from a highly rated life insurance company. Given this support to lottery prize receivables, the Company has not recorded and does not expect to incur any current estimated credit losses on its investments in lottery prize receivables.

Principles of Consolidation

The consolidated financial statements include the accounts and operations of the Company and its subsidiaries. All intercompany accounts and transactions are eliminated in consolidation.

1. Organization and Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made in the prior year and prior quarter financial statements to conform to current year and current quarter classifications. These reclassifications had no effect on previously reported net income or shareholders' equity.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Common Stock and Treasury Stock

Class A and Class B common stock are both fully paid, non-assessable and has a par value of $.01 per share. Class B shareholders are entitled to elect a majority of FTFC's Board of Directors (one-half plus one) but will only receive, compared to FTFC's Class A shareholders, 85% of cash dividends, stock dividends or amounts due upon any FTFC merger, sale or liquidation event. FTFC's Class B shareholders may also convert one share of FTFC's Class B common stock for a .85 share of FTFC's Class A common stock. FTFC's Class A shareholders will elect the remaining Board of Directors members and will receive 100% of cash dividends, stock dividends or amounts due upon any Company merger, sale or liquidation event.

Treasury stock, representing shares of the Company's common stock that have been reacquired after having been issued and fully paid, is recorded at the reacquisition cost and the shares are no longer outstanding.

Funds Withheld Coinsurance

In accordance with an annuity coinsurance agreement with an offshore annuity and life insurance company, TLIC holds assets and recognizes a funds withheld liability for the benefit of the assuming company in an amount at least equal to the annuity reserves in accordance with U.S. statutory accounting principles generated by this ceded business. In addition, the assuming company maintains a trust related to this ceded business amounting to at least an additional 4% of assets above the annuity reserve required under U.S. statutory accounting principles. This coinsurance agreement may be terminated for new business by either party at any time upon 30 days prior written notice to the other party.

In addition, in accordance with this annuity coinsurance agreement, investment income, investment expenses, other income and other expenses earned or incurred in relation to the operations of this annuity coinsurance agreement are not reported on the Company's *Consolidated Statements of Operations*. The unrealized appreciation (depreciation) of fixed available-for-sale fixed maturity securities and the related income tax expense (benefit) is not reported as accumulated other comprehensive income in the shareholders' equity section of the Company's *Consolidated Statements of Financial Position*. Correspondingly, the net unrealized gains (losses) arising during the period, the net realized gains (losses) having no credit gains (losses) and the related income tax expense (benefit) associated with the available-for-sale fixed maturities held under this coinsurance agreement are not included in the computation of total other comprehensive income (loss) in the Company's *Consolidated Statement of Comprehensive Loss*.

The Company's *Consolidated Statement of Cash Flows* only includes the cash flow activities related to the assets and funds withheld under the coinsurance agreement in a one-line presentation and does not include those cash flow activities in the other financial captions and categories presented in that financial statement.

1. Organization and Significant Accounting Policies (continued)

Cybersecurity

The Company has established and continues to enhance its cybersecurity enterprise risk management program. The Company's executive team meets formally at least monthly, and informally as needed, to set and maintain a strategy focused on achieving a high level of cybersecurity protection. The Company's executive management team makes quarterly reports to the Company's Board of Directors and Audit Committee.

The Company's executive management team is enhanced by the inclusion of an information technology external consultant to advise the Company's executive management team and to focus on developing and maintaining external and internal cybersecurity. Working with Company executives and staff, the information technology consultant advises and helps the Company implement its strategy with respect to:

- Computer hardware and software,
- Security access, logging and user termination,
- In house and remote user access – user accounts, password protection, authentication, monitoring usage, intrusion detection, incident identification and related controls,
- Encryption,
- System change control,
- Data back up and remote sites,
- Data recovery,
- And Disaster recovery

The Company also utilizes training to foster an environment of information security awareness, training and education. Beyond making employees aware of its cybersecurity risk management program, strategy and governance, this training also introduces all employees to many types of cybersecurity risks to introduce skepticism and enhance skills to identify and report potential situations encountered to the executive management team for further assessment.

Subsequent Events

In April 2024, FTFC received a federal income tax refund of $8,087,076 and interest of $602,307 from the Internal Revenue Service. This refund represents federal income tax withholdings in excess of the amounts of federal taxes that were due for the tax years 2020, 2021 and 2022.

Management has evaluated all events subsequent to March 31, 2024 through the date that these financial statements have been issued.

Adopted Accounting Standards

Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued updated guidance (Accounting Standards Update 2016-13) for the accounting for credit losses for financial instruments. The updated guidance applied a new credit loss model (current expected credit losses or CECL) for determining credit-related impairments for financial instruments measured at amortized cost (e.g. reinsurance recoverables, including structured settlements that are recorded as part of reinsurance recoverables) and required an entity to estimate the credit losses expected over the life of an exposure or pool of exposures.

The estimate of expected credit losses considers historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the consolidated balance sheet at the amount expected to be collected.

1. Organization and Significant Accounting Policies (continued)

The updated guidance also amended the current other-than-temporary impairment model for available-for-sale debt securities and requires the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position will no longer impact the determination of whether a credit loss exists. The Company adopted this standard in first quarter 2023 on a modified retrospective basis. The cumulative effect adjustment to January 1, 2023 accumulated earnings for the adoption of this standard was a charge of $230,036.

Troubled Debt Restructurings and Vintage Disclosures

In March 2022, the FASB issued amendments (Accounting Standards Update 2022-2) for the accounting of troubled debt restructuring and disclosures. The amendments introduced new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulties. The amendments promulgated that an entity must apply specific loan refinancing and restructuring guidance to determine whether a modification results in a new loan or the continuation of an existing loan. The amendments also required that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases. The Company adopted the amendments in this standard in first quarter 2023. The adoption of this guidance did not have a material effect on the Company's results of operations, financial position or liquidity.

Recent Accounting Pronouncements

Targeted Improvements to the Accounting for Long-Duration Contracts

In August 2018, the FASB issued updated guidance (Accounting Standards Update 2018-12) to the existing recognition, measurement, presentation and disclosure requirements for long-duration contracts issued by an insurance entity. This update improves the timeliness of recognizing changes in the liability for future policy benefits, modifies the rate used to discount future cash flows, simplifies and improves accounting for certain market-based options or guarantees associated with deposit (i.e., account balance) contracts, simplifies the amortization of deferred acquisitions costs and expands required disclosures. The expanded disclosure requires an insurance entity to provide disaggregated roll forwards of beginning to ending balances of the following: liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities and deferred acquisition costs including disclosure about, changes to and effect of changes for significant inputs, judgments, assumptions and methods used in measurements.

The updated guidance was effective for reporting periods beginning after December 15, 2020. As a Smaller Reporting Company, the effective date has been changed twice and the delayed effective date is now for reporting periods beginning after December 15, 2024 and interim periods within fiscal years beginning after December 15, 2025. Early adoption is permitted but not likely to be elected by the Company. With respect to the liability for future policyholder benefits for traditional and limited-payment contracts and deferred acquisition costs, an insurance entity may elect to apply the amendments retrospectively as of the beginning of the earliest period presented. With respect to the market risk benefits, an insurance entity should apply the amendments retrospectively as of the beginning of the earliest period presented. The Company expects that the impact on the Company's results of operations, financial position and liquidity at the date of adoption of the updated guidance in 2025 will be determined by the long-duration contracts then held by the Company and the economic conditions at that time.

1. Organization and Significant Accounting Policies (continued)

Transition for Sold Contracts

In December 2022, the FASB issued amendments (Accounting Standards Update 2022-5) to Accounting Standards Update 2018-12 (Targeted Improvements for Long-Duration Contracts) that originally required an insurance entity to apply a retrospective transition method as of the beginning of the earliest period presented or the beginning of the prior fiscal year if early application was elected. This updated guidance reduces implementation costs and complexity associated with the adoption of targeted improvements in accounting for long-duration contracts that have been derecognized in accordance with Accounting Standards Update 2018-12 before the delayed effective date. Without the amendments in this Update, an insurance entity would be required to reclassify a portion of gains or losses previously recognized in the sale or disposal of insurance contracts or legal entities because of the adoption of a new accounting standard. Because there is no effect on an insurance entity's future cash flows, this reclassification may not be useful to users of financial information.

The amendments in this guidance are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted but not likely to be elected by the Company. The Company expects that the impact on the Company's results of operations, financial position and liquidity at the date of adoption of the updated guidance in 2025 will be determined by the long-duration contracts then held by the Company and the economic conditions at that time.

Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued amendments (Accounting Standards Update 2023-07) to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses on both an annual and interim basis. The amendments require public entities to follow the *significant expense principle* and disclose on an annual and interim basis significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") with additional disclosure of the CODM's title, position and how the reported measure(s) of segment profit or loss are used in assessing segment performance and allocating resources. In addition, amounts for *other segment items* are required to be disclosed including a description of its composition. If the COMD uses more than one measure in assessing segment performance and allocating resources, at least one of the measures should be consistent with the corresponding amounts utilized in the public entity's consolidated financial statements.

The amendments in this guidance are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company anticipates adopting and disclosing this Update for year-end reporting in 2024 and for interim periods beginning in 2025.

Improvements to Income Tax Disclosures

In December 2023, the FASB issued amendments (Accounting Standards Update 2023-09) to enhance the transparency and decision usefulness of income tax disclosures. The amendments require that public business entities on an annual basis disclose information about taxes paid and a tabular reconciliation using both percentages and amounts of specific categories in the rate reconciliation. In addition, separate disclosure is required for any reconciling item equal to or greater than five (5) percent of the amount computed by multiplying the income or loss from continuing operations before income taxes by the statutory income tax rate. If not otherwise evident, a public business entity is required to provide an explanation of the individual reconciling items such as the nature, effect and causes of the reconciling items.

The amendments in this guidance are effective for public companies for fiscal years beginning after December 15, 2024. This guidance should be applied on a prospective basis but retrospective application is permitted. Early adoption is permitted. The Company anticipates adopting and disclosing this Update for year-end reporting in 2025.

1. Organization and Significant Accounting Policies (continued)

Cybersecurity Risk Management, Strategy, Governance and Incident Disclosures by Public Companies

On July 26, 2023, the U.S. Securities and Exchange Commission adopted this Final Rule (the "Cybersecurity Final Rule") enhancing disclosure requirements for registered companies covering cybersecurity risk and management. The Cybersecurity Final Rule requires registrants to disclose material cybersecurity incidents on Form 8-K within four business days of a determination that a cybersecurity incident is material, and such materiality determination must be made without unreasonable delay.

The rule also requires periodic disclosures of, among other things, details on the company's processes to assess, identify, and manage cybersecurity risks, cybersecurity governance, and management's role in overseeing such a compliance program, including the board of directors' oversight of cybersecurity risks. Certain reporting requirements under the Cybersecurity Final Rule become effective as early as December 2023.

The Company has never had a material cyber security incident but will follow the Cybersecurity Final Rule regarding timely disclosure of a material cyber security incident. The Company has also disclosed its strategy and governance with respect to its cybersecurity risk management program in this March 31, 2024 Form 10-Q.

2. Investments

Investments in fixed maturity available-for-sale securities as of March 31, 2024 and December 31, 2023 are summarized as follows:

	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	March 31, 2024 (Unaudited)			
Fixed maturity securities				
U.S. government and U.S. government agencies	$ 5,587,705	$ 2,474	$ 17,279	$ 5,572,900
States and political subdivisions	9,760,532	84,415	413,413	9,431,534
U.S. government agency mortgage backed securities	9,868,837	67,432	10,709	9,925,560
Commercial mortgage-backed securities	10,635,235	-	1,841,977	8,793,258
Residential mortgage-backed securities	9,984	4,012	-	13,996
Corporate bonds	84,913,230	72,286	7,152,624	77,832,892
Asset-backed securities	12,572,492	15,619	904,269	11,683,842
Exchange traded securities	946,700	-	460,700	486,000
Foreign bonds	27,062,387	7,985	2,112,959	24,957,413
Redeemable preferred securities	1,250,000	-	243,700	1,006,300
Total fixed maturity securities	$ 162,607,102	$ 254,223	$ 13,157,630	$ 149,703,695
Fixed maturity securities held in trust under coinsurance agreement	$ 49,918,244	$ 28,027	$ 5,241,184	$ 44,705,087
	December 31, 2023			
Fixed maturity securities				
U.S. government and U.S. government agencies	$ 3,806,419	$ 14,360	$ 22,495	$ 3,798,284
States and political subdivisions	9,773,549	97,215	338,894	9,531,870
U.S. government agency mortgage backed securities	10,097,479	208,985	-	10,306,464
Commercial mortgage-backed securities	10,629,003	-	2,157,465	8,471,538
Residential mortgage-backed securities	9,986	4,328	-	14,314
Corporate bonds	85,901,454	65,239	6,625,386	79,341,307
Asset-backed securities	12,466,601	43,424	1,017,529	11,492,496
Exchange traded securities	882,631	-	406,631	476,000
Foreign bonds	27,091,108	24,186	1,902,619	25,212,675
Redeemable preferred securities	1,250,000	-	194,000	1,056,000
Total fixed maturity securities	$ 161,908,230	$ 457,737	$ 12,665,019	$ 149,700,948
Fixed maturity securities held in trust under coinsurance agreement	$ 56,824,160	$ 53,496	$ 5,226,397	$ 51,651,259

2. Investments (continued)

All securities in an unrealized loss position as of the financial statement dates, the estimated fair value, pre-tax gross unrealized loss and number of securities by length of time that those securities have been continuously in an unrealized loss position as of March 31, 2024 and December 31, 2023 are summarized as follows:

	Fair Value	Unrealized Loss	Number of Securities
	March 31, 2024 (Unaudited)		
Fixed maturity securities			
Less than 12 months in an unrealized loss position			
U.S. government and U.S. government agencies	$ 331,109	$ 2,209	2
States and political subdivisions	1,222,525	22,091	4
U.S. government agency mortgage backed securities	1,176,756	10,709	2
Corporate bonds	2,751,347	37,688	12
Foreign bonds	969,669	19,977	3
Redeemable preferred securities	682,500	67,500	2
Total less than 12 months in an unrealized loss position	7,133,906	160,174	25
More than 12 months in an unrealized loss position			
U.S. government and U.S. government agencies	1,884,332	15,070	3
States and political subdivisions	4,341,644	391,322	20
Commercial mortgage-backed securities	8,793,258	1,841,977	24
Corporate bonds	71,602,527	7,114,936	214
Asset-backed securities	7,591,372	904,269	21
Exchange traded securities	486,000	460,700	2
Foreign bonds	23,685,983	2,092,982	62
Redeemable preferred securities	323,800	176,200	2
Total more than 12 months in an unrealized loss position	118,708,916	12,997,456	348
Total fixed maturity securities in an unrealized loss position	$ 125,842,822	$ 13,157,630	373
Fixed maturity securities held in trust under coinsurance agreement			
Total less than 12 months in an unrealized loss position	$ 2,302,290	$ 14,222	11
Total more than 12 months in an unrealized loss position	40,549,718	5,226,962	155
Total fixed maturity securities held in trust under coinsurance agreement in a unrealized loss position	$ 42,852,008	$ 5,241,184	166
	December 31, 2023		
Fixed maturity securities			
Less than 12 months in an unrealized loss position			
U.S. government and U.S. government agencies	$ 231,010	$ 100	1
States and political subdivisions	120,734	588	1
Corporate bonds	3,762,988	78,589	14
Foreign bonds	502,835	8,573	2
Total less than 12 months in an unrealized loss position	4,617,567	87,850	18
More than 12 months in an unrealized loss position			
U.S. government and U.S. government agencies	1,876,612	22,395	3
States and political subdivisions	4,411,017	338,306	21
Commercial mortgage-backed securities	8,471,538	2,157,465	24
Corporate bonds	72,550,042	6,546,797	214
Asset-backed securities	7,390,830	1,017,529	20
Exchange traded securities	476,000	406,631	2
Foreign bonds	23,164,587	1,894,046	61
Redeemable preferred securities	306,000	194,000	2
Total more than 12 months in an unrealized loss position	118,646,626	12,577,169	347
Total fixed maturity securities in an unrealized loss position	$ 123,264,193	$ 12,665,019	365
Fixed maturity securities held in trust under coinsurance agreement			
Total less than 12 months in an unrealized loss position	$ 1,400,820	$ 5,810	7
Total more than 12 months in an unrealized loss position	47,082,945	5,220,587	180
Total fixed maturity securities held in trust under coinsurance agreement in a unrealized loss position	$ 48,483,765	$ 5,226,397	187

2. Investments (continued)

As of March 31, 2024, the Company held 373 available-for-sale fixed maturity securities with an unrealized loss of $13,157,630, fair value of $125,842,822 and amortized cost of $139,000,452. These unrealized losses were primarily due to market interest rate movements in the bond market as of March 31, 2024. The ratio of the fair value to the amortized cost of these 373 securities is 91%.

As of December 31, 2023, the Company held 365 available-for-sale fixed maturity securities with an unrealized loss of $12,665,019, fair value of $123,264,193 and amortized cost of $135,929,212. These unrealized losses were primarily due to market interest rate movements in the bond market as of December 31, 2023. The ratio of the fair value to the amortized cost of these 365 securities is 91%.

The change in the current estimate of credit losses on fixed maturity available-for-sale securities for the three months ended March 31, 2024 and December 31, 2023, are summarized as follows:

	(Unaudited) March 31, 2024	December 31, 2023
Beginning balance	$ (430,470)	$ -
Cumulative adjustment to accumulated earnings as of January 1, 2023	-	(291,185)
Current estimate of credit losses	(57,095)	(139,285)
Ending balance	$ (487,565)	$ (430,470)

Net unrealized losses included in other comprehensive income (loss) for investments classified as available-for-sale, net of the effect of deferred income taxes and deferred acquisition costs assuming that the depreciation had been realized as of March 31, 2024 and December 31, 2023, are summarized as follows:

	(Unaudited) March 31, 2024	December 31, 2023
Unrealized depreciation on available-for-sale securities	$ (12,903,407)	$ (12,207,282)
Adjustment to deferred acquisition costs	2,997	3,094
Deferred income taxes	2,709,086	2,562,880
Net unrealized depreciation on available-for-sale securities	$ (10,191,324)	$ (9,641,308)
Assets held in trust under coinsurance agreement		
Unrealized depreciation on fixed maturity securities available-for-sale	$ (5,213,157)	$ (5,172,901)

2. Investments (continued)

The Company's investment in lottery prize cash flows categorized as other long-term investments in the statement of financial position was $60,361,724 and $61,487,939 as of March 31, 2024 and December 31, 2023, respectively. The lottery prize cash flows are assignments of the future rights from lottery winners purchased at a discounted price. Payments on these investments are made by state run lotteries.

The amortized cost and fair value of fixed maturity available-for-sale securities and other long-term investments as of March 31, 2024, by contractual maturity, are summarized as follows:

	March 31, 2024 (Unaudited)			
	Fixed Maturity Available-For-Sale Securities		Other Long-Term Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 3,109,890	$ 3,209,077	$ 13,828,003	$ 14,019,403
Due after one year through five years	38,108,325	36,333,894	31,517,089	33,570,252
Due after five years through ten years	21,569,511	20,276,208	10,066,463	11,764,302
Due after ten years	87,924,157	80,070,962	4,950,169	6,685,942
Due at multiple maturity dates	11,895,219	9,813,554	-	-
	$ 162,607,102	$ 149,703,695	$ 60,361,724	$ 66,039,899

The amortized cost and fair value of fixed maturity available-for-sale securities held in trust under coinsurance agreement as of March 31, 2024, by contractual maturity, are summarized as follows:

	March 31, 2024 (Unaudited)	
	Fixed Maturity Available-For-Sale Securities	
	Amortized Cost	Fair Value
Due in one year or less	$ 883,635	$ 880,434
Due after one year through five years	22,330,916	21,799,964
Due after five years through ten years	6,780,603	6,623,565
Due after ten years	16,815,995	12,707,223
Due at multiple maturity dates	3,107,095	2,693,901
	$ 49,918,244	$ 44,705,087

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

2. Investments (continued)

Proceeds and gross realized gains (losses) from the sales, calls and maturities of fixed maturity securities available-for-sale and mortgage loans on real estate for the three months ended March 31, 2024 and 2023 are summarized as follows:

	Three Months Ended March 31, (Unaudited)			
	Fixed Maturity Securities		Mortgage Loans on Real Estate	
	2024	2023	2024	2023
Proceeds	$ 1,033,349	$ 1,783,450	$ 36,539,747	$ -
Gross realized gains	374	15,899	59,858	-
Gross realized losses	(2,072)	(34,221)	-	-

The accumulated change in unrealized investment gains (losses) for fixed maturity available-for-sale for the three months ended March 31, 2024 and 2023 and the amount of net realized investment gains (losses) on fixed maturity securities available-for-sale, equity securities and mortgage loans on real estate for the three months ended March 31, 2024 and 2023 are summarized as follows:

	Three Months Ended March 31, (Unaudited)	
	2024	2023
Change in unrealized investment gains (losses):		
Available-for-sale securities:		
Fixed maturity securities	$ (696,125)	$ 3,595,258
Fixed maturity securities held in trust under coinsurance agreement	(40,256)	1,057,780
Net realized investment gains (losses):		
Available-for-sale securities:		
Fixed maturity securities	(1,698)	(18,322)
Fixed maturity securities credit losses	(57,095)	(6,923)
Equity securities, changes in fair value	38,996	(6,206)
Mortgage loans on real estate	59,858	-

2. Investments (continued)

Major categories of net investment income for the three months ended March 31, 2024 and 2023 are summarized as follows:

	Three Months Ended March 31, (Unaudited)	
	2024	2023
Fixed maturity securities	$ 1,762,025	$ 1,560,033
Equity securities	14,634	28,255
Other long-term investments	1,167,243	1,360,330
Mortgage loans	4,947,517	4,724,356
Policy loans	68,751	56,576
Short-term and other investments	472,439	494,678
Gross investment income	8,432,609	8,224,228
Investment expenses	(474,732)	(596,412)
Net investment income	$ 7,957,877	$ 7,627,816

TLIC and FBLIC are required to hold assets on deposit with various state insurance departments for the benefit of policyholders and other special deposits in accordance with statutory rules and regulations. As of March 31, 2024 and December 31, 2023, these required deposits, included in investment assets, had amortized costs that totaled $6,290,392 and $4,609,927, respectively. As of March 31, 2024 and December 31, 2023, these required deposits had fair values that totaled $6,267,556 and $4,596,130, respectively.

2. Investments (continued)

The Company's mortgage loans by property type as of March 31, 2024 and December 31, 2023 are summarized as follows:

	(Unaudited) March 31, 2024	December 31, 2023
Residential mortgage loans	$ 200,685,200	$ 224,258,534
Commercial mortgage loans by property type		
Agricultural	983,975	986,207
Apartment	2,790,336	3,108,829
Industrial	1,257,630	1,267,264
Lodging	24,517	24,727
Office building	5,318,269	5,652,487
Retail	3,272,218	4,533,399
Total commercial mortgage loans by property type	13,646,945	15,572,913
Total mortgage loans	$ 214,332,145	$ 239,831,447
Mortgage loans held in trust under coinsurance agreement		
Commercial mortgage loans	$ 18,681,745	$ 27,714,891
Less unearned interest on mortgage loans	-	133,010
Total mortgage loans held in trust under coinsurance agreement	$ 18,681,745	$ 27,581,881

There were 23 mortgage loans with a remaining principal balance of $7,589,422 that were more than 90 days past due as of March 31, 2024. There were 30 mortgage loans with a remaining principal balance of $6,404,793 that were more than 90 days past due as of March 31, 2023.

There were nine mortgage loans in default and in the foreclosure process with a remaining principal balance of $3,391,263 as of March 31, 2024. There were four mortgage loans in default and in the foreclosure process with a remaining principal balance of $1,060,578 as of March 31, 2023.

The Company's investment real estate as of March 31, 2024 and December 31, 2023 is summarized as follows:

	(Unaudited) March 31, 2024	December 31, 2023
Land - held for investment	$ 540,436	$ 540,436
Residential real estate - held for sale	915,338	764,967
Total investment in real estate	$ 1,455,774	$ 1,305,403

TLIC owns approximately three acres of undeveloped land located in Topeka, Kansas with a carrying value of $409,436.

FBLIC owns approximately one-half acre of undeveloped land located in Jefferson City, Missouri with a carrying value of $131,000.

During 2024, the Company foreclosed on residential mortgage loans of real estate totaling $150,371 and transferred those properties to investment real estate held for sale. During 2023, the Company foreclosed on residential mortgage loans of real estate totaling $764,967 and transferred those properties to investment real estate held for sale.

3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) on the measurement date. The Company also considers the impact on fair value of a significant decrease in volume and level of activity for an asset or liability when compared with normal activity.

The Company holds fixed maturity and equity securities that are measured and reported at fair market value on the statement of financial position. The Company determines the fair market values of its financial instruments based on the fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value, as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities. The Company's Level 1 assets include equity securities that are traded in an active exchange market.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's Level 2 assets and liabilities include fixed maturity securities with quoted prices that are traded less frequently than exchange-traded instruments or assets and liabilities whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. government and U.S. government agencies, state and political subdivisions, U.S. government agency mortgage backed securities, commercial and residential mortgage-backed securities, corporate bonds, asset-backed securities, exchange traded securities, foreign bonds and redeemable preferred stocks.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Company's Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

The Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into the three-level fair value hierarchy. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the valuation inputs, or their ability to be observed, may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in and out of the Level 3 category as of the beginning of the period in which the reclassifications occur.

3. Fair Value Measurements (continued)

The Company's fair value hierarchy for those financial instruments measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023 is summarized as follows:

	Level 1	Level 2	Level 3	Total
	March 31, 2024 (Unaudited)			
Fixed maturity securities, available-for-sale				
U.S. government and U.S. government agencies	$ -	$ 5,572,900	$ -	$ 5,572,900
States and political subdivisions	-	9,431,534	-	9,431,534
U.S. government agency mortgage backed securities	-	9,925,560	-	9,925,560
Commercial mortgage-backed securities	-	8,793,258	-	8,793,258
Residential mortgage-backed securities	-	13,996	-	13,996
Corporate bonds	-	77,832,892	-	77,832,892
Asset-backed securities	-	11,683,842	-	11,683,842
Exchange traded securities	-	486,000	-	486,000
Foreign bonds	-	24,957,413	-	24,957,413
Redeemable preferred securities	-	1,006,300	-	1,006,300
Total fixed maturity securities	$ -	$ 149,703,695	$ -	$ 149,703,695
Fixed maturity securities, available-for-sale held in trust under coinsurance agreement	$ -	$ 44,705,087	$ -	$ 44,705,087
Equity securities				
Mutual funds	$ -	$ 52,661	$ -	$ 52,661
Corporate common stock	340,625	-	46,316	386,941
Total equity securities	$ 340,625	$ 52,661	$ 46,316	$ 439,602
	December 31, 2023			
Fixed maturity securities, available-for-sale				
U.S. government and U.S. government agencies	$ -	$ 3,798,284	$ -	$ 3,798,284
States and political subdivisions	-	9,531,870	-	9,531,870
U.S. government agency mortgage backed securities	-	10,306,464	-	10,306,464
Commercial mortgage-backed securities	-	8,471,538	-	8,471,538
Residential mortgage-backed securities	-	14,314	-	14,314
Corporate bonds	-	79,341,307	-	79,341,307
Asset-backed securities	-	11,492,496	-	11,492,496
Exchange traded securities	-	476,000	-	476,000
Foreign bonds	-	25,212,675	-	25,212,675
Redeemable preferred securities	-	1,056,000	-	1,056,000
Total fixed maturity securities	$ -	$ 149,700,948	$ -	$ 149,700,948
Fixed maturity securities, available-for-sale held in trust under coinsurance agreement	$ -	$ 51,651,259	$ -	$ 51,651,259
Equity securities				
Mutual funds	$ -	$ 50,226	$ -	$ 50,226
Corporate common stock	304,064	-	65,240	369,304
Total equity securities	$ 304,064	$ 50,226	$ 65,240	$ 419,530

3. Fair Value Measurements (continued)

As of March 31, 2024 and December 31, 2023, Level 3 financial instruments consisted of a private placement common stock that has no active trading and a joint venture investment with a mortgage loan originator.

This private placement common stock represents an investment in a small insurance holding company. The fair value for this security was determined through the use of unobservable assumptions about market participants. The Company has assumed a willing market participant would purchase the security for the same price as the Company paid until such time as this small insurance holding company commences significant operations. The joint venture investment with a mortgage loan originator is accounted for under the equity method of accounting.

Fair values for Level 1 and Level 2 assets for the Company's fixed maturity available-for-sale and equity securities are primarily based on prices supplied by a third party investment service. The third party investment service provides quoted prices in the market which use observable inputs in developing such rates.

The Company analyzes market valuations received to verify reasonableness and to understand the key assumptions used and the sources. Since the fixed maturity securities owned by the Company do not trade on a daily basis, the third party investment service prepares estimates of fair value measurements using relevant market data, benchmark curves, sector groupings and matrix pricing. As the fair value estimates of the Company's fixed maturity securities are based on observable market information rather than market quotes, the estimates of fair value on these fixed maturity securities are included in Level 2 of the hierarchy. The Company's Level 2 investments include obligations of U.S. government and U.S. government agencies, state and political subdivisions, U.S. government agency mortgage backed securities, commercial and residential mortgage-backed securities, corporate bonds, asset-backed securities, exchange traded securities, foreign bonds and redeemable preferred stocks.

The Company's equity securities are included in Level 1 and Level 2 and the private placement common stocks and joint venture investment are included in Level 3. Level 1 for the equity securities classified as such is appropriate since they trade on a daily basis, are based on quoted market prices in active markets and are based upon unadjusted prices. Level 2 for those equity securities classified as such is appropriate since they are not actively traded.

The Company's fixed maturity available-for-sale securities and equity securities are highly liquid and allows for a high percentage of the portfolio to be priced through pricing services.

The change in the fair value of the Company's Level 3 equity securities available-for-sale for the three months ended March 31, 2024 and December 31, 2023 is summarized as follows:

	(Unaudited) March 31, 2024	December 31, 2023
Beginning balance	$ 65,240	$ 53,996
Joint venture net income	13,040	130,550
Joint venture distribution	(31,964)	(119,306)
Ending balance	$ 46,316	$ 65,240

3. Fair Value Measurements (continued)

The carrying amount and fair value of the Company's financial assets and financial liabilities disclosed, but not carried, at fair value as of March 31, 2024 and December 31, 2023 and the level within the fair value hierarchy at which such assets and liabilities are measured on a recurring basis are summarized as follows:

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	March 31, 2024 (Unaudited)				
Financial assets					
Mortgage loans on real estate					
Commercial	$ 13,646,945	$ 12,797,976	$ -	$ -	$ 12,797,976
Residential	200,685,200	185,012,567	-	-	185,012,567
Policy loans	3,523,881	3,523,881	-	-	3,523,881
Other long-term investments	60,361,724	66,039,899	-	-	66,039,899
Cash and cash equivalents	34,896,988	34,896,988	34,896,988	-	-
Accrued investment income	5,932,837	5,932,837	-	-	5,932,837
Total financial assets	$ 319,047,575	$ 308,204,148	$ 34,896,988	$ -	$ 273,307,160
Held in trust under coinsurance agreement					
Mortgage loans on real estate					
Commercial	$ 18,681,745	$ 18,681,745	$ -	$ -	$ 18,681,745
Cash and cash equivalents	1,989,618	1,989,618	1,989,618	-	-
Total financial assets held in trust under coinsurance agreement	$ 20,671,363	$ 20,671,363	$ 1,989,618	$ -	$ 18,681,745
Financial liabilities					
Policyholders' account balances	$ 361,193,652	$ 312,787,161	$ -	$ -	$ 312,787,161
Policy claims	2,108,130	2,108,130	-	-	2,108,130
Total financial liabilities	$ 363,301,782	$ 314,895,291	$ -	$ -	$ 314,895,291
	December 31, 2023				
Financial assets					
Mortgage loans on real estate					
Commercial	$ 15,572,913	$ 14,803,724	$ -	$ -	$ 14,803,724
Residential	224,258,534	196,514,414	-	-	196,514,414
Policy loans	3,474,116	3,474,116	-	-	3,474,116
Short-term investments	298,257	298,257	298,257	-	-
Other long-term investments	61,487,939	68,023,717	-	-	68,023,717
Cash and cash equivalents	33,839,741	33,839,741	33,839,741	-	-
Accrued investment income	6,214,459	6,214,459	-	-	6,214,459
Total financial assets	$ 345,145,959	$ 323,168,428	$ 34,137,998	$ -	$ 289,030,430
Held in trust under coinsurance agreement					
Mortgage loans on real estate					
Commercial	$ 27,714,891	$ 27,714,891	$ -	$ -	$ 27,714,891
Less unearned interest on mortgage loans	133,010	133,010	-	-	133,010
Cash and cash equivalents	711,733	711,733	711,733	-	-
Total financial assets held in trust under coinsurance agreement	$ 28,293,614	$ 28,293,614	$ 711,733	$ -	$ 27,581,881
Financial liabilities					
Policyholders' account balances	$ 391,247,676	$ 344,806,580	$ -	$ -	$ 344,806,580
Policy claims	2,410,243	2,410,243	-	-	2,410,243
Total financial liabilities	$ 393,657,919	$ 347,216,823	$ -	$ -	$ 347,216,823

3. Fair Value Measurements (continued)

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment was required to interpret market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts which could be realized in a current market exchange. The use of different market assumptions or estimation methodologies may have a material effect on the fair value amounts.

The following methods and assumptions were used in estimating the fair value disclosures for financial instruments in the accompanying financial statements and notes thereto:

Fixed Maturity and Equity Securities

The fair value of fixed maturity securities and equity securities are based on the principles previously discussed as Level 1, Level 2 and Level 3.

Mortgage Loans on Real Estate

The fair values for mortgage loans are estimated using discounted cash flow analyses. For both residential and commercial mortgage loans, the discount rate used was indexed to the Secured Overnight Financing Rate as of March 31, 2024 and December 31, 2023.

Cash and Cash Equivalents, Short-Term Investments, Accrued Investment Income and Policy Loans

The carrying value of these financial instruments approximates their fair values. Cash and cash equivalents and short-term investments are included in Level 1 of the fair value hierarchy due to their highly liquid nature.

Other Long-Term Investments

Other long-term investments are comprised of lottery prize receivables and fair value is derived by using a discounted cash flow approach. Projected cash flows are discounted using the average FTSE Pension Liability Index in effect at the end of each period.

Investment Contracts – Policyholders' Account Balances

The fair value for liabilities under investment-type insurance contracts (accumulation annuities) is calculated using a discounted cash flow approach. Cash flows are projected using actuarial assumptions and discounted to the valuation date using risk-free rates adjusted for credit risk and the nonperformance risk of the liabilities.

The fair values for insurance contracts other than investment-type contracts are not required to be disclosed.

Policy Claims

The carrying amounts reported for these liabilities approximate their fair value.

4. Segment Data

The Company has a life insurance segment, consisting of the life insurance operations of TLIC, FBLIC and TAI, an annuity segment, consisting of the annuity operations of TLIC, FBLIC and TAI and a corporate segment. Results for the parent company and the operations of TMC, after elimination of intercompany amounts, are allocated to the corporate segment. These segments as of March 31, 2024 and December 31, 2023 and for the three months ended March 31, 2024 and 2023 are summarized as follows:

	Three Months Ended March 31, (Unaudited)	
	2024	2023
Revenues:		
Life insurance operations	$ 11,850,178	$ 10,825,816
Annuity operations	6,178,515	6,081,155
Corporate operations	513,515	780,970
Total	$ 18,542,208	$ 17,687,941
Income before federal income taxes:		
Life insurance operations	$ 1,888,230	$ (248,274)
Annuity operations	607,602	1,009,698
Corporate operations	(218,230)	486,503
Total	$ 2,277,602	$ 1,247,927
Depreciation and amortization expense:		
Life insurance operations	$ 2,023,307	$ 1,756,514
Annuity operations	353,741	333,138
Total	$ 2,377,048	$ 2,089,652

	(Unaudited) March 31, 2024	December 31, 2023
Assets:		
Life insurance operations	$ 164,132,871	$ 164,653,497
Annuity operations	455,954,053	495,979,724
Corporate operations	11,288,457	11,388,314
Total	$ 631,375,381	$ 672,021,535

5. Federal Income Taxes

The provision for federal income taxes is based on the asset and liability method of accounting for income taxes. Deferred income taxes are provided for the cumulative temporary differences between balances of assets and liabilities determined under GAAP and the balances using tax bases.

The Company has no known uncertain tax benefits within its provision for income taxes. In addition, the Company does not believe it would be subject to any penalties or interest relative to any open tax years and, therefore, has not accrued any such amounts. The Company files U.S. federal income tax returns and income tax returns in various state jurisdictions. The 2020 through 2022 U.S. federal tax years are subject to income tax examination by tax authorities. The Company classifies any interest and penalties (if applicable) as income tax expense in the financial statements.

6. Contingent Liabilities

From time to time, we are a party to various legal proceedings in the ordinary course of business. While management is unable to predict the ultimate outcome of these actions, it believes that any ultimate liability arising from them will not have a material effect on the Company's financial position, results of operations or cash flow. We are not currently a party to any bankruptcy, receivership, reorganization, adjustment or similar proceeding, and we are not aware of any material threatened litigation. As summarized below, the Company is currently involved in three pending lawsuits.

A lawsuit filed by the Company and its Chairman and Chief Executive Officer, Gregg E. Zahn ("Mr. Zahn") styled First Trinity Financial Corporation and Gregg E. Zahn vs. C. Wayne Pettigrew and Group & Pension Planners was originally filed in 2013 in the District Court of Tulsa County, Oklahoma against former Company Board of Director, C. Wayne Pettigrew ("Mr. Pettigrew"). The Company and Mr. Zahn alleged that Mr. Pettigrew defamed Mr. Zahn and the Company and that Mr. Pettigrew breached his fiduciary duties to the Company by making untrue statements about the Company and Mr. Zahn to the press, state regulators and to certain shareholders.

In February 2017, the lawsuit resulted in a jury verdict in favor of the Company and Mr. Zahn, with the jury awarding damages of $800,000 to the Company and $3,500,000 to Mr. Zahn. In February 2020, the Oklahoma Court of Civil Appeals, upon an appeal by Mr. Pettigrew, reversed the judgment and remanded the case for a new trial. A Petition for Certiorari review with the Oklahoma Supreme Court by the Company and Mr. Zahn was declined in December, 2020. The case is now scheduled to be retried in the District Court once a trial date is set. The Company is vigorously prosecuting this case. The Company faces no exposure in connection with this action since there were no counterclaims or cross claims made against the Company. Management believes that this lawsuit is not material in relation to the Company's financial position or results of operations.

The Company, through its life insurance subsidiary, TLIC, commenced two lawsuits as plaintiff, both in the New York Supreme Court, New York County, one on June 29, 2020 and another on March 4, 2022, for breach of contract against a company for failure to advance funding to lottery ticket winners to the detriment of TLIC and against various of that company's associated persons for unjust enrichment and fraud perpetuated on TLIC. The cases are entitled "Trinity Life Insurance Company v. Advance Funding LLC, Dan Cevallos, and Monica L. Ray, Index No. 652780/2020" (New York Supreme Court, New York County) and "Trinity Life Insurance Company v. Advance Funding LLC, Dan Cevallos, Julie Casal, and Monica L. Ray, Index No. 651023/2022" (New York Supreme Court, New York County). The Company is vigorously prosecuting this case against the defendants. The Company faces no exposure in connection with either action since no counterclaims or cross claims have been made against the Company. Management believes that this lawsuit is not material in relation to the Company's financial position or results of operations.

Guaranty fund assessments, brought about by the insolvency of life and health insurers, are levied at the discretion of the various state guaranty fund associations to cover association obligations. In most states, guaranty fund assessments may be taken as a credit against premium taxes, typically over a five-year period.

7. Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss

The changes in the components of the Company's accumulated other comprehensive income (loss) for the three months ended March 31, 2024 and 2023 are summarized as follows:

	Three Months Ended March 31, 2024 and 2023 (Unaudited)		
	Unrealized Appreciation (Depreciation) on Available-For-Sale Securities	Adjustment to Deferred Acquisition Costs	Accumulated Other Comprehensive Loss
Balance as of January 1, 2024	$ (9,643,766)	$ 2,458	$ (9,641,308)
Other comprehensive loss before reclassifications, net of tax	(551,280)	(77)	(551,357)
Less amounts reclassified from accumulated other comprehensive loss having no credit losses, net of tax	(1,341)	-	(1,341)
Other comprehensive loss	(549,939)	(77)	(550,016)
Balance as of March 31, 2024	$ (10,193,705)	$ 2,381	$ (10,191,324)
Balance as of January 1, 2023	$ (14,323,715)	$ 4,036	$ (14,319,679)
Cumulative effect adjustment as of January 1, 2023			
Accumulated credit loss January 1, 2023	230,036	-	230,036
Other comprehensive income before reclassifications, net of tax	2,825,779	(862)	2,824,917
Less amounts reclassified from accumulated other comprehensive income having no credit losses, net of tax	(14,474)	-	(14,474)
Other comprehensive income	2,840,253	(862)	2,839,391
Balance as of March 31, 2023	$ (11,253,426)	$ 3,174	$ (11,250,252)

The pretax components of the Company's other comprehensive income (loss) and the related income tax expense (benefit) for each component for the three months ended March 31, 2024 and 2023 are summarized as follows:

	Pretax	Income Tax Expense (Benefit)	Net of Tax
	Three Months Ended March 31, 2024 (Unaudited)		
Other comprehensive loss:			
Change in net unrealized losses on available-for-sale securities:			
Unrealized holding losses arising during the period	$ (697,823)	$ (146,543)	$ (551,280)
Reclassification adjustment for net losses included in operations having no credit losses	(1,698)	(357)	(1,341)
Net unrealized losses on investments	(696,125)	(146,186)	(549,939)
Adjustment to deferred acquisition costs	(97)	(20)	(77)
Total other comprehensive loss	$ (696,222)	$ (146,206)	$ (550,016)
	Three Months Ended March 31, 2023 (Unaudited)		
Other comprehensive income:			
Change in net unrealized gains on available-for-sale securities:			
Unrealized holding gains arising during the period	$ 3,576,936	$ 751,157	$ 2,825,779
Reclassification adjustment for net losses included in operations having no credit losses	(18,322)	(3,848)	(14,474)
Net unrealized gains on investments	3,595,258	755,005	2,840,253
Adjustment to deferred acquisition costs	(1,091)	(229)	(862)
Total other comprehensive income	$ 3,594,167	$ 754,776	$ 2,839,391

7. Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss (continued)

Realized gains and losses on the sales of investments are determined based upon the specific identification method and include provisions for other-than-temporary impairments where appropriate.

The pretax and the related income tax components of the amounts reclassified from the Company's accumulated other comprehensive loss to the Company's consolidated statement of operations for the three months ended March 31, 2024 and 2023 are summarized as follows:

	Three Months Ended March 31, (Unaudited)	
Reclassification Adjustments	2024	2023
Realized losses on sales of securities (a)	$ (1,698)	$ (18,322)
Income tax benefit (b)	(357)	(3,848)
Total reclassification adjustments	$ (1,341)	$ (14,474)

(a) These items appear within net realized investment gains in the consolidated statements of operations.

(b) These items appear within federal income taxes in the consolidated statements of operations.

8. Allowance for Loan Losses from Mortgage Loans on Real Estate

As of March 31, 2024, $890,612 of independent residential mortgage loans on real estate are held in escrow by a third party loan originator for the benefit of the Company. As of March 31, 2024, $865,652 of that escrow amount is available to the Company as additional collateral on $4,647,828 of advances to the loan originator. The remaining March 31, 2024 escrow amount of $24,960 is available to the Company as additional collateral on its investment of $4,991,969 in residential mortgage loans on real estate. In addition, the Company has an additional $1,051,961 allowance for possible loan losses in the remaining $209,340,176 of investments in mortgage loans on real estate as of March 31, 2024.

As of December 31, 2023, $890,915 of independent residential mortgage loans on real estate are held in escrow by a third party for the benefit of the Company. As of December 31, 2023, $850,039 of that escrow amount is available to the Company as additional collateral on $4,487,715 of advances to the loan originator. The remaining December 31, 2023 escrow amount of $40,876 is available to the Company as additional collateral on its investment of $8,175,212 in mortgage loans on real estate. In addition, the Company has an additional $1,164,102 allowance for possible loan losses in the remaining $231,656,235 of investments in mortgage loans on real estate as of December 31, 2023.

As of March 31, 2024, the Company's Chairman, President and Chief Executive Officer has provided approximately $2,040,000 of loans to this mortgage loan originator.

8. Allowance for Loan Losses from Mortgage Loans on Real Estate (continued)

The balances of and changes in the Company's credit losses related to mortgage loans on real estate as of and for the three months ended March 31, 2024 and 2023 are summarized as follows (excluding $4,991,969 and $17,356,264 of mortgage loans on real estate as of March 31, 2024 and 2023, respectively, with one loan originator where independent mortgage loan balances are held in escrow by a third party for the benefit of the Company):

	As of and for the Three Months Ended March 31, (Unaudited)					
	Residential Mortgage Loans		Commercial Mortgage Loans		Total	
	2024	2023	2024	2023	2024	2023
Allowance, beginning	$ 1,085,919	$ 1,030,424	$ 78,183	$ 90,024	$ 1,164,102	$ 1,120,448
Charge offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Provision	(102,463)	(33,500)	(9,678)	(782)	(112,141)	(34,282)
Allowance, ending	$ 983,456	$ 996,924	$ 68,505	$ 89,242	$ 1,051,961	$ 1,086,166
Allowance, ending:						
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	$ 983,456	$ 996,924	$ 68,505	$ 89,242	$ 1,051,961	$ 1,086,166
Carrying Values:						
Individually evaluated for reserve allowance	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for reserve allowance	$ 195,707,709	$ 198,388,187	$ 13,632,467	$ 17,759,044	$ 209,340,176	$ 216,147,231

The Company utilizes the ratio of the carrying value of individual residential and commercial mortgage loans compared to the individual appraisal value to evaluate the credit quality of its mortgage loans on real estate (commonly referred to as the loan-to-value ratio). The Company's residential and commercial mortgage loans on real estate by credit quality using this ratio as of March 31, 2024 and December 31, 2023 are summarized as follows:

	Residential Mortgage Loans		Commercial Mortgage Loans		Total Mortgage Loans	
	(Unaudited)		(Unaudited)		(Unaudited)	
Loan-To-Value Ratio	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Over 70% to 80%	$ 73,025,141	$ 75,718,654	$ 2,097,436	$ 2,099,950	$ 75,122,577	$ 77,818,604
Over 60% to 70%	55,686,948	65,525,308	1,490,792	2,958,186	57,177,740	68,483,494
Over 50% to 60%	30,806,282	38,548,660	1,335,086	1,809,817	32,141,368	40,358,477
Over 40% to 50%	21,636,683	22,283,148	2,774,305	2,394,557	24,410,988	24,677,705
Over 30% to 40%	10,298,868	10,056,308	3,788,819	3,817,212	14,087,687	13,873,520
Over 20% to 30%	5,486,674	7,929,094	463,473	463,856	5,950,147	8,392,950
Over 10% to 20%	3,035,340	3,178,001	1,697,034	1,714,394	4,732,374	4,892,395
10% or less	709,264	1,019,361	-	314,941	709,264	1,334,302
Total	$ 200,685,200	$ 224,258,534	$ 13,646,945	$ 15,572,913	$ 214,332,145	$ 239,831,447

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

First Trinity Financial Corporation ("we" "us", "our", "FTFC" or the "Company") conducts operations as an insurance holding company emphasizing ordinary life insurance products and annuity contracts in niche markets.

As an insurance provider, we collect premiums in the current period to pay future benefits to our policy and contract holders. Our core TLIC and FBLIC operations include issuing modified premium whole life insurance with a flexible premium deferred annuity, ordinary whole life, final expense, term and annuity products to predominately middle income households in the states of Alabama, Arizona, Arkansas, Colorado, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Virginia and West Virginia through independent agents.

We also realize revenues from our investment portfolio, which is a key component of our operations. The revenues we collect as premiums from policyholders are invested to ensure future benefit payments under the policy contracts. Life insurance companies earn profits on the investment spread, which reflects the investment income earned on the premiums paid to the insurer between the time of receipt and the time benefits are paid out under policies. Changes in interest rates, changes in economic conditions and volatility in the capital markets can all impact the amount of earnings that we realize from our investment portfolio.

Acquisitions

The Company also expects to facilitate growth through acquisitions of other life insurance companies and/or blocks of life insurance and annuity business.

In late December 2008, the Company completed its acquisition of 100% of the outstanding stock of FLAC for $2,500,000 and had additional acquisition related expenses of $195,234.

In late December 2011, the Company completed its acquisition of 100% of the outstanding stock of FBLIC for $13,855,129.

On April 28, 2015, the Company acquired a block of life insurance policies and annuity contracts according to the terms of an assumption reinsurance agreement and assumed liabilities of $3,055,916.

In 2019, FTFC's acquisition of TAI for $250,000 was approved by the Barbados, West Indies regulators.

Effective January 1, 2020, the Company acquired 100% of the outstanding common stock of K-TENN Insurance Company ("K-TENN") from its sole shareholder in exchange for 168,866 shares of FTFC's common stock. The aggregate purchase price of K-TENN was $1,746,240.

On January 4, 2022, FTFC acquired RCLIC from Royalty in exchange for 722,644 shares of FTFC's Class A common stock issued to unrelated parties. Royalty was dissolved immediately after FTFC acquired RCLIC. On March 1, 2022, the Missouri Department of Commerce and Insurance approved FTFC's contribution and merger of RCLIC into FBLIC.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition, results of operations and liquidity and capital resources is based on our consolidated financial statements that have been prepared in accordance with U.S. GAAP. Preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. We evaluate our estimates and assumptions continually, including those related to investments, deferred acquisition costs, allowance for loan losses from mortgages, value of insurance business acquired, policy liabilities, regulatory requirements, contingencies and litigation. We base our estimates on historical experience and on various other factors and assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For a description of the Company's critical accounting policies and estimates, please refer to "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. The Company considers its most critical accounting estimates to be those applied to investments in fixed maturities securities, mortgage loans on real estate, deferred policy acquisition costs, value of insurance business acquired and future policy benefits. There have been no material changes to the Company's critical accounting policies and estimates since December 31, 2023.

Cybersecurity

The Company has established and continues to enhance its cybersecurity enterprise risk management program. The Company's executive team meets formally at least monthly, and informally as needed, to set and maintain a strategy focused on achieving a high level of cybersecurity protection. The Company's executive management team makes quarterly reports to the Company's Board of Directors and Audit Committee.

The Company's executive management team is enhanced by the inclusion of an information technology external consultant to advise the Company's executive management team and to focus on developing and maintaining external and internal cybersecurity. Working with Company executives and staff, the information technology consultant advises and helps the Company implement its strategy with respect to:

- Computer hardware and software,
- Security access, logging and user termination,
- In house and remote user access – user accounts, password protection, authentication, monitoring usage, intrusion detection, incident identification and related controls,
- Encryption,
- System change control,
- Data back up and remote sites,
- Data recovery,
- And Disaster recovery

The Company also utilizes training to foster an environment of information security awareness, training and education. Beyond making employees aware of its cybersecurity risk management program, strategy and governance, this training also introduces all employees to many types of cybersecurity risks to introduce skepticism and enhance skills to identify and report potential situations encountered to the executive management team for further assessment.

Adopted Accounting Standards

Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued updated guidance (Accounting Standards Update 2016-13) for the accounting for credit losses for financial instruments. The updated guidance applied a new credit loss model (current expected credit losses or CECL) for determining credit-related impairments for financial instruments measured at amortized cost (e.g. reinsurance recoverables, including structured settlements that are recorded as part of reinsurance recoverables) and required an entity to estimate the credit losses expected over the life of an exposure or pool of exposures.

The estimate of expected credit losses considers historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the consolidated balance sheet at the amount expected to be collected.

The updated guidance also amended the current other-than-temporary impairment model for available-for-sale debt securities and requires the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position will no longer impact the determination of whether a credit loss exists. The Company adopted this standard in first quarter 2023 on a modified retrospective basis. The cumulative effect adjustment to January 1, 2023 accumulated earnings for the adoption of this standard was a charge of $230,036.

Troubled Debt Restructurings and Vintage Disclosures

In March 2022, the FASB issued amendments (Accounting Standards Update 2022-2) for the accounting of troubled debt restructuring and disclosures. The amendments introduced new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulties. The amendments promulgated that an entity must apply specific loan refinancing and restructuring guidance to determine whether a modification results in a new loan or the continuation of an existing loan. The amendments also required that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases. The Company adopted the amendments in this standard in first quarter 2023. The adoption of this guidance did not have a material effect on the Company's results of operations, financial position or liquidity.

Recent Accounting Pronouncements

Targeted Improvements to the Accounting for Long-Duration Contracts

In August 2018, the FASB issued updated guidance (Accounting Standards Update 2018-12) to the existing recognition, measurement, presentation and disclosure requirements for long-duration contracts issued by an insurance entity. This update improves the timeliness of recognizing changes in the liability for future policy benefits, modifies the rate used to discount future cash flows, simplifies and improves accounting for certain market-based options or guarantees associated with deposit (i.e., account balance) contracts, simplifies the amortization of deferred acquisitions costs and expands required disclosures. The expanded disclosure requires an insurance entity to provide disaggregated roll forwards of beginning to ending balances of the following: liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities and deferred acquisition costs including disclosure about, changes to and effect of changes for significant inputs, judgments, assumptions and methods used in measurements.

The updated guidance was effective for reporting periods beginning after December 15, 2020. As a Smaller Reporting Company, the effective date has been changed twice and the delayed effective date is now for reporting periods beginning after December 15, 2024 and interim periods within fiscal years beginning after December 15, 2025. Early adoption is permitted but not likely to be elected by the Company. With respect to the liability for future policyholder benefits for traditional and limited-payment contracts and deferred acquisition costs, an insurance entity may elect to apply the amendments retrospectively as of the beginning of the earliest period presented. With respect to the market risk benefits, an insurance entity should apply the amendments retrospectively as of the beginning of the earliest period presented. The Company expects that the impact on the Company's results of operations, financial position and liquidity at the date of adoption of the updated guidance in 2025 will be determined by the long-duration contracts then held by the Company and the economic conditions at that time.

Transition for Sold Contracts

In December 2022, the FASB issued amendments (Accounting Standards Update 2022-5) to Accounting Standards Update 2018-12 (Targeted Improvements for Long-Duration Contracts) that originally required an insurance entity to apply a retrospective transition method as of the beginning of the earliest period presented or the beginning of the prior fiscal year if early application was elected. This updated guidance reduces implementation costs and complexity associated with the adoption of targeted improvements in accounting for long-duration contracts that have been derecognized in accordance with Accounting Standards Update 2018-12 before the delayed effective date. Without the amendments in this Update, an insurance entity would be required to reclassify a portion of gains or losses previously recognized in the sale or disposal of insurance contracts or legal entities because of the adoption of a new accounting standard. Because there is no effect on an insurance entity's future cash flows, this reclassification may not be useful to users of financial information.

The amendments in this guidance are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted but not likely to be elected by the Company. The Company expects that the impact on the Company's results of operations, financial position and liquidity at the date of adoption of the updated guidance in 2025 will be determined by the long-duration contracts then held by the Company and the economic conditions at that time.

Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued amendments (Accounting Standards Update 2023-07) to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses on both an annual and interim basis. The amendments require public entities to follow the *significant expense principle* and disclose on an annual and interim basis significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") with additional disclosure of the CODM's title, position and how the reported measure(s) of segment profit or loss are used in assessing segment performance and allocating resources. In addition, amounts for *other segment items* are required to be disclosed including a description of its composition. If the COMD uses more than one measure in assessing segment performance and allocating resources, at least one of the measures should be consistent with the corresponding amounts utilized in the public entity's consolidated financial statements.

The amendments in this guidance are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company anticipates adopting and disclosing this Update for year-end reporting in 2024 and for interim periods beginning in 2025.

Improvements to Income Tax Disclosures

In December 2023, the FASB issued amendments (Accounting Standards Update 2023-09) to enhance the transparency and decision usefulness of income tax disclosures. The amendments require that public business entities on an annual basis disclose information about taxes paid and a tabular reconciliation using both percentages and amounts of specific categories in the rate reconciliation. In addition, separate disclosure is required for any reconciling item equal to or greater than five (5) percent of the amount computed by multiplying the income or loss from continuing operations before income taxes by the statutory income tax rate. If not otherwise evident, a public business entity is required to provide an explanation of the individual reconciling items such as the nature, effect and causes of the reconciling items.

The amendments in this guidance are effective for public companies for fiscal years beginning after December 15, 2024. This guidance should be applied on a prospective basis but retrospective application is permitted. Early adoption is permitted. The Company anticipates adopting and disclosing this Update for year-end reporting in 2025.

Cybersecurity Risk Management, Strategy, Governance and Incident Disclosures by Public Companies

On July 26, 2023, the U.S. Securities and Exchange Commission adopted this Final Rule (the "Cybersecurity Final Rule") enhancing disclosure requirements for registered companies covering cybersecurity risk and management. The Cybersecurity Final Rule requires registrants to disclose material cybersecurity incidents on Form 8-K within four business days of a determination that a cybersecurity incident is material, and such materiality determination must be made without unreasonable delay.

The rule also requires periodic disclosures of, among other things, details on the company's processes to assess, identify, and manage cybersecurity risks, cybersecurity governance, and management's role in overseeing such a compliance program, including the board of directors' oversight of cybersecurity risks. Certain reporting requirements under the Cybersecurity Final Rule become effective as early as December 2023.

The Company has never had a material cyber security incident but will follow the Cybersecurity Final Rule regarding timely disclosure of a material cyber security incident. The Company has also disclosed its strategy and governance with respect to its cybersecurity risk management program in this March 31, 2024 Form 10-Q.

Business Segments

FASB guidance requires a "management approach" in the presentation of business segments based on how management internally evaluates the operating performance of business units. The discussion of segment operating results that follows is being provided based on segment data prepared in accordance with this methodology.

Our business segments are as follows:

- Life insurance operations, consisting of the life insurance operations of TLIC, FBLIC and TAI;
- Annuity operations, consisting of the annuity operations of TLIC, FBLIC and TAI and
- Corporate operations, which includes the results of the parent company and TMC after the elimination of intercompany amounts.

Please see Note 4 to the Consolidated Financial Statements for the three months ended March 31, 2024 and 2023 and as of March 31, 2024 and December 31, 2023 for additional information regarding segment information.

The following is a discussion and analysis of our financial condition, results of operations and liquidity and capital resources.

FINANCIAL HIGHLIGHTS

Consolidated Condensed Results of Operations for the Three Months Ended March 31, 2024 and 2023

	(Unaudited) Three Months Ended March 31, 2024	(Unaudited) Three Months Ended March 31, 2023	Amount Change 2024 less 2023
Premiums	$ 9,651,005	$ 9,108,309	$ 542,696
Net investment income	7,957,877	7,627,816	330,061
Net realized investment gains (losses)	40,061	(31,451)	71,512
Service fees	247,682	982,848	(735,166)
Other income	645,583	419	645,164
Total revenues	18,542,208	17,687,941	854,267
Benefits and claims	10,421,625	11,371,070	(949,445)
Expenses	5,842,981	5,068,944	774,037
Total benefits, claims and expenses	16,264,606	16,440,014	(175,408)
Income before federal income tax expense	2,277,602	1,247,927	1,029,675
Federal income tax expense	483,449	232,831	250,618
Net income	$ 1,794,153	$ 1,015,096	$ 779,057
Net income per common share			
Class A common stock	$ 0.1895	$ 0.1072	$ 0.0823
Class B common stock	$ 0.1610	$ 0.0911	$ 0.0699

Consolidated Condensed Financial Position as of March 31, 2024 and December 31, 2023

	(Unaudited) March 31, 2024	December 31, 2023	Amount Change 2024 to 2023
Investment assets	$ 429,816,821	$ 456,517,640	$ (26,700,819)
Assets held in trust under coinsurance agreement	65,370,505	79,940,459	(14,569,954)
Other assets	136,188,055	135,563,436	624,619
Total assets	$ 631,375,381	$ 672,021,535	$ (40,646,154)
Policy liabilities	$ 489,736,689	$ 517,637,743	$ (27,901,054)
Funds withheld under coinsurance agreement	59,523,100	77,257,253	(17,734,153)
Deferred federal income taxes	4,431,860	4,228,189	203,671
Other liabilities	12,423,387	8,882,142	3,541,245
Total liabilities	566,115,036	608,005,327	(41,890,291)
Shareholders' equity	65,260,345	64,016,208	1,244,137
Total liabilities and shareholders' equity	$ 631,375,381	$ 672,021,535	$ (40,646,154)
Shareholders' equity per common share			
Class A common stock	$ 6.8911	$ 6.7597	$ 0.1314
Class B common stock	$ 5.8574	$ 5.7457	$ 0.1117

Results of Operations – Three Months Ended March 31, 2024 and 2023

Revenues

Our primary sources of revenue are life insurance premium income and investment income. Premium payments are classified as first-year, renewal and single. In addition, realized gains on investment holdings can significantly impact revenues from period to period.

Our revenues for the three months ended March 31, 2024 and 2023 are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024	(Unaudited) Three Months Ended March 31, 2023	Amount Change 2024 less 2023
Premiums	$ 9,651,005	$ 9,108,309	$ 542,696
Net investment income	7,957,877	7,627,816	330,061
Net realized investment gains (losses)	40,061	(31,451)	71,512
Service fees	247,682	982,848	(735,166)
Other income	645,583	419	645,164
Total revenues	$ 18,542,208	$ 17,687,941	$ 854,267

The $854,267 increase in total revenues for the three months ended March 31, 2024 is discussed below.

Premiums

Our premiums for the three months ended March 31, 2024 and 2023 are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024	2023	Amount Change 2024 less 2023
Ordinary life first year	$ 789,553	$ 658,615	$ 130,938
Ordinary life renewal	1,683,381	1,339,413	343,968
Final expense first year	846,364	881,081	(34,717)
Final expense renewal	6,331,707	6,229,200	102,507
Total premiums	$ 9,651,005	$ 9,108,309	$ 542,696

The $542,696 increase in premiums for the three months ended March 31, 2024 is primarily due to a $343,968 increase in ordinary life renewal premiums, $130,938 increase in ordinary life first year premiums and a $102,507 increase in final expense renewals premiums that exceeded a $34,717 decrease in final expense first year premiums.

The increase in ordinary life renewal premiums and ordinary life first year premiums primarily reflects ordinary dollar denominated life insurance policies sold in the international market by TAI. The increase in final expense renewal premiums reflects the persistency of prior years' final expense production. The decrease in final expense first year premiums reflects changes in competitor underwriting guidelines.

Net Investment Income

The major components of our net investment income for the three months ended March 31, 2024 and 2023 are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024	2023	Amount Change 2024 less 2023
Fixed maturity securities	$ 1,762,025	$ 1,560,033	$ 201,992
Preferred stock and equity securities	14,634	28,255	(13,621)
Other long-term investments	1,167,243	1,360,330	(193,087)
Mortgage loans	4,947,517	4,724,356	223,161
Policy loans	68,751	56,576	12,175
Short-term and other investments	472,439	494,678	(22,239)
Gross investment income	8,432,609	8,224,228	208,381
Investment expenses	(474,732)	(596,412)	(121,680)
Net investment income	$ 7,957,877	$ 7,627,816	$ 330,061

The $208,831 increase in gross investment income for the three months ended March 31, 2024 is primarily due to $223,161 increase in mortgage loans, $201,992 increase in fixed maturity securities that exceeded a $193,087 decrease in other long term investments.

The increase in mortgage loans investment income is primarily due to increased gross yields of 8.7% in 2024 compared to 7.9% in 2023. The increase in fixed maturity securities investment income is primarily due to increased fixed maturity securities investments of $21.1 million since March 31, 2023. The decrease in other long-term investment income is primarily due to a decline in other long-term investments of $10.2 million since March 31, 2023.

The $121,680 decrease in investment expense for the quarter ended March 31, 2024 is primarily due to decreased mortgage loan costs.

Net Realized Investment Gains (Losses)

Our net realized investment gains (losses) result from sales of fixed maturity securities available-for-sale, mortgage loans on real estate, changes in fair value of equity securities and changes in estimate of credit losses. Our net realized investment gains for the three months ended March 31, 2024 and 2023 are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024	(Unaudited) Three Months Ended March 31, 2023	Amount Change 2024 less 2023
Fixed maturity securities available-for-sale:			
Sale proceeds / maturities	$ 1,033,349	$ 1,783,450	$ (750,101)
Amortized cost at sale date	1,035,047	1,801,772	(766,725)
Net realized losses	$ (1,698)	$ (18,322)	$ 16,624
Mortgage loans on real estate			
Sales proceeds	$ 36,539,747	$ -	$ 36,539,747
Cost at sale date	36,479,889	-	36,479,889
Net realized gains	$ 59,858	$ -	$ 59,858
Equity securities, changes in fair value	$ 38,996	$ (6,206)	$ 45,202
Changes in current estimate of credit losses	$ (57,095)	$ (6,923)	$ (50,172)
Net realized investment gains (losses)	$ 40,061	$ (31,451)	$ 71,512

Service Fees

The $735,166 decrease in service fees for the three months ended March 31, 2024 is primarily due to a decrease in fees from brokering mortgage loans to third parties.

Other Income

The $645,164 increase in other income is primarily due to interest amounting to $602,307 from the Internal Revenue Service on a federal income tax refund of $8,087,076 for the tax years 2020, 2021 and 2022.

Total Benefits, Claims and Expenses

Our benefits, claims and expenses are primarily generated from benefit payments, surrenders, interest credited to policyholders, change in reserves, commissions and other underwriting, insurance and acquisition expenses. Benefit payments can significantly impact expenses from period to period.

Our benefits, claims and expenses for the three months ended March 31, 2024 and 2023 are summarized as follows:

	(Unaudited)		
	Three Months Ended March 31,		Amount Change
	2024	2023	2024 less 2023
Benefits and claims			
Increase in future policy benefits	$ 2,581,015	$ 3,287,664	$ (706,649)
Death benefits	3,510,753	3,953,162	(442,409)
Surrenders	577,357	432,866	144,491
Interest credited to policyholders	3,667,484	3,616,106	51,378
Dividend, endowment and supplementary life contract benefits	85,016	81,272	3,744
Total benefits and claims	10,421,625	11,371,070	(949,445)
Expenses			
Policy acquisition costs deferred	(2,925,293)	(3,735,611)	810,318
Amortization of deferred policy acquisition costs	2,325,711	2,021,411	304,300
Amortization of value of insurance business acquired	51,337	68,242	(16,905)
Commissions	2,781,727	3,560,008	(778,281)
Other underwriting, insurance and acquisition expenses	3,609,499	3,154,894	454,605
Total expenses	5,842,981	5,068,944	774,037
Total benefits, claims and expenses	$ 16,264,606	$ 16,440,014	$ (175,408)

The $175,408 decrease in total benefits, claims and expenses for the three months ended March 31, 2024 is discussed below.

Benefits and Claims

The $949,445 decrease in benefits and claims for the three months ended March 31, 2024 is primarily due to the following:

- $706,649 decrease in future policy benefits is primarily due to the reduction in the final expense renewal business retained, increased surrenders and the continued death benefits paid to policyholders.

- $442,409 decrease in death benefits is primarily due to approximately $303,000 of decreased ordinary life benefits and $138,000 of decreased final expense benefits.

- $144,491 increase in surrenders is based upon policyholder elections.

Deferral and Amortization of Deferred Acquisition Costs

Certain costs related to the successful acquisition of traditional life insurance policies are capitalized and amortized over the premium-paying period of the policies. Certain costs related to the successful acquisition of insurance and annuity policies that subject us to mortality or morbidity risk over a period that extends beyond the period or periods in which premiums are collected and that have terms that are fixed and guaranteed (i.e., limited-payment long-duration annuity contracts) are capitalized and amortized in relation to the present value of actual and expected gross profits on the policies.

These acquisition costs, which are referred to as deferred policy acquisition costs, include commissions and other successful costs of acquiring policies and contracts, which vary with, and are primarily related to, the successful production of new and renewal life insurance policies and annuity contracts.

For the three months ended March 31, 2024 and 2023, capitalized costs were $2,925,293 and $3,735,611, respectively. Amortization of deferred policy acquisition costs for the three months ended March 31, 2024 and 2023 were $2,325,711 and $2,021,411, respectively.

The $810,318 decrease in the 2024 acquisition costs deferred primarily relates to decreased annuity production with a corresponding decrease in deferral of eligible annuity commissions. There was a $304,300 increase in the 2024 amortization of deferred acquisition costs primarily due to increased 2024 surrenders and withdrawal activity and the impact of mortality.

Amortization of Value of Insurance Business Acquired

The cost of acquiring insurance business is amortized over the emerging profit of the related policies using the same assumptions that were used in computing liabilities for future policy benefits. Amortization of the value of insurance business acquired was $51,337 and $68,242 for the three months ended March 31, 2024 and 2023, respectively.

Commissions

Our commissions for the three months ended March 31, 2024 and 2023 are summarized as follows:

	(Unaudited) Three Months Ended March 31,		Amount Change
	2024	2023	2024 less 2023
Annuity	$ 174,137	$ 1,081,284	$ (907,147)
Ordinary life first year	835,904	665,440	170,464
Ordinary life renewal	191,862	141,145	50,717
Final expense first year	992,854	1,073,811	(80,957)
Final expense renewal	586,970	598,328	(11,358)
Total commissions	$ 2,781,727	$ 3,560,008	$ (778,281)

The $778,281 decrease in commissions for the three months ended March 31, 2024 is primarily due to a $907,147 decrease annuity commissions (corresponding to $25,494,753 of decreased annuity deposits retained) and a $80,957 decrease in final expense first year commissions (corresponding to $34,717 decreased final expense first year premiums) that exceed a $170,464 increase ordinary life first year commissions (corresponding to $130,938 increased ordinary life first year premiums).

Other Underwriting, Insurance and Acquisition Expenses

There was a $454,605 increase in other underwriting, insurance and acquisition expenses for the three months ended March 31, 2024 that is primarily due to increases in legal and consulting expenses.

Federal Income Taxes

FTFC filed its 2022 consolidated federal income tax return with TLIC, FBLIC and TMC. Certain items included in income reported for financial statement purposes are not included in taxable income for the current period, resulting in deferred income taxes.

For the three months ended March 31, 2024 and 2023, current federal income tax expense was $133,572 and $145,873, respectively. For the three months ended March 31, 2024 and 2023, deferred federal income tax expense was $349,877 and $86,958, respectively.

Net Income Per Common Share Basic and Diluted

For the three months ended March 31, 2024 and 2023, the net income allocated to the Class B shareholders is the total net income multiplied by the right to receive dividends at 85% for Class B shares (85,937) as of the reporting date divided by the allocated total shares (9,470,277) of Class A shares (9,384,340) and Class B shares (85,937) as of the reporting date.

For the three months ended March 31, 2024, the net income allocated to the Class A shareholders of $1,777,872 is the total net income $1,794,153 less the net income allocated to the Class B shareholders $16,281. For the three months ended March 31, 2023, the net income allocated to the Class A shareholders of $1,005,885 is the total net income $1,015,096 less the net income allocated to the Class B shareholders $9,211.

The weighted average outstanding common shares basic for the three months ended March 31, 2024 and 2023 were 9,384,340 for Class A shares and 101,102 for Class B shares.

Business Segments

The Company has a life insurance segment, consisting of the life insurance operations of TLIC, FBLIC and TAI, an annuity segment, consisting of the annuity operations of TLIC, FBLIC and TAI and a corporate segment. Results for the parent company and the operations of TMC, after elimination of intercompany amounts, are allocated to the corporate segment.

The revenues and income before federal income taxes from our business segments for the three months ended March 31, 2024 and 2023 are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024	(Unaudited) Three Months Ended March 31, 2023	Amount Change 2024 less 2023
Revenues:			
Life insurance operations	$ 11,850,178	$ 10,825,816	$ 1,024,362
Annuity operations	6,178,515	6,081,155	97,360
Corporate operations	513,515	780,970	(267,455)
Total	$ 18,542,208	$ 17,687,941	$ 854,267
Income before federal income taxes:			
Life insurance operations	$ 1,888,230	$ (248,274)	$ 2,136,504
Annuity operations	607,602	1,009,698	(402,096)
Corporate operations	(218,230)	486,503	(704,733)
Total	$ 2,277,602	$ 1,247,927	$ 1,029,675

The increases and decreases of revenues and profitability from our business segments for the three months ended March 31, 2024 and 2023 are summarized as follows:

	Life Insurance Operations	Annuity Operations	Corporate Operations	Total
Revenues				
Premiums	$ 542,696	$ -	$ -	$ 542,696
Net investment income	391,667	(43,063)	(18,543)	330,061
Net realized investment gains	21,816	49,696	-	71,512
Service fees and other income	68,183	90,727	(248,912)	(90,002)
Total revenue	1,024,362	97,360	(267,455)	854,267
Benefits and claims				
Increase in future policy benefits	(706,649)	-	-	(706,649)
Death benefits	(442,409)	-	-	(442,409)
Surrenders	144,491	-	-	144,491
Interest credited to policyholders	-	51,378	-	51,378
Dividend, endowment and supplementary life contract benefits	3,744	-	-	3,744
Total benefits and claims	(1,000,823)	51,378	-	(949,445)
Expenses				
Policy acquisition costs deferred net of amortization	30,354	1,084,264	-	1,114,618
Amortization of value of insurance business acquired	(8,452)	(8,453)	-	(16,905)
Commissions	128,866	(907,147)	-	(778,281)
Other underwriting, insurance and acquisition expenses	(262,087)	279,414	437,278	454,605
Total expenses	(111,319)	448,078	437,278	774,037
Total benefits, claims and expenses	(1,112,142)	499,456	437,278	(175,408)
Income (loss) before federal income taxes (benefits)	$ 2,136,504	$ (402,096)	$ (704,733)	$ 1,029,675

Consolidated Financial Condition

Our invested assets as of March 31, 2024 and December 31, 2023 are summarized as follows:

	(Unaudited) March 31, 2024	December 31, 2023	Amount Change 2024 less 2023
Assets			
Investments			
Available-for-sale fixed maturity securities at fair value (amortized cost: $162,607,102 and $161,908,230 as of March 31, 2024 and December 31, 2023, respectively)	$ 149,703,695	$ 149,700,948	$ 2,747
Equity securities at fair value (cost: $268,451 and $287,375 as of March 31, 2024 and December 31, 2023, respectively)	439,602	419,530	20,072
Mortgage loans on real estate	214,332,145	239,831,447	(25,499,302)
Investment real estate	1,455,774	1,305,403	150,371
Policy loans	3,523,881	3,474,116	49,765
Short-term investments	-	298,257	(298,257)
Other long-term investments	60,361,724	61,487,939	(1,126,215)
Total investments	$ 429,816,821	$ 456,517,640	$ (26,700,819)

The increases in fixed maturity available-for-sale securities for the three months ended March 31, 2024 and 2023 are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024 Amount	2023 Amount
Fixed maturity securities, available-for-sale, beginning	$ 149,700,948	$ 126,612,890
Purchases	1,778,887	223,594
Unrealized appreciation (depreciation)	(696,125)	3,595,258
Net realized investment losses	(1,698)	(18,322)
Change in credit loss	(57,095)	(6,923)
Sales proceeds	(533,349)	(1,428,450)
Maturities	(500,000)	(355,000)
Accretion of discount (premium amortization)	12,127	(57,302)
Increase	2,747	1,952,855
Fixed maturity securities, available-for-sale, ending	$ 149,703,695	$ 128,565,745

Fixed maturity securities available-for-sale are reported at fair value with unrealized gains and losses, net of applicable income taxes, reflected as a separate component in shareholders' equity within “Accumulated Other Comprehensive Loss”. The available-for-sale fixed maturity securities portfolio is invested primarily in a variety of U.S. government and U.S. government agencies, state and political subdivisions, U.S. government agency mortgage backed securities, commercial and residential mortgage-backed securities, corporate bonds, asset-backed securities, exchange traded securities, foreign bonds and redeemable preferred stocks.

The increase and decrease in equity securities for the three months ended March 31, 2024 and 2023, respectively, are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024 Amount	2023 Amount
Equity securities, beginning	$ 419,530	$ 399,633
Purchases	13,040	27,056
Joint venture distributions	(31,964)	(23,567)
Net realized investment gains (losses), changes in fair value	38,996	(6,206)
Increase (decrease)	20,072	(2,717)
Equity securities, ending	$ 439,602	$ 396,916

Equity securities are reported at fair value with the change in fair value reflected in net realized investment gains (losses) within the consolidated statements of operations.

The decreases in mortgage loans on real estate for the three months ended March 31, 2024 and 2023 are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024 Amount	2023 Amount
Mortgage loans on real estate, beginning	$ 239,831,447	$ 242,314,128
Purchases	11,016,161	30,763,562
Accretion of discount (premium amortization)	2,656	(68,339)
Net realized investment gains	59,858	-
Payments	(36,539,747)	(39,540,138)
Foreclosed - transferred to real estate	(150,371)	-
Decrease in allowance for bad debts	112,141	34,282
Decrease	(25,499,302)	(8,810,633)
Mortgage loans on real estate, ending	$ 214,332,145	$ 233,503,495

The increase in investment real estate for the three months ended March 31, 2024 is summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024	2023
Investment real estate, beginning	$ 1,305,403	$ 540,436
Real estate acquired through mortgage loan foreclosure	150,371	-
Increase	150,371	-
Investment real estate, ending	$ 1,455,774	$ 540,436

The increase and decrease in other long-term investments (composed of lottery receivables) for the three months ended March 31, 2024 and 2023, respectively, are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024 Amount	2023 Amount
Other long-term investments, beginning	$ 61,487,939	$ 67,500,783
Purchases	1,636,177	5,444,219
Accretion of discount	1,167,277	1,360,406
Payments	(3,929,669)	(3,710,613)
Increase (decrease)	(1,126,215)	3,094,012
Other long-term investments, ending	$ 60,361,724	$ 70,594,795

Our assets other than invested assets as of March 31, 2024 and December 31, 2023 are summarized as follows:

	(Unaudited) March 31, 2024	December 31, 2023	Amount Change 2024 less 2023
Cash and cash equivalents	$ 34,896,988	$ 33,839,741	$ 1,057,247
Accrued investment income	5,932,837	6,214,459	(281,622)
Recoverable from reinsurers	10,141,633	10,353,674	(212,041)
Assets held in trust under coinsurance agreement	65,370,505	79,940,459	(14,569,954)
Agents' balances and due premiums	1,413,901	1,284,003	129,898
Deferred policy acquisition costs	61,394,593	60,795,108	599,485
Value of insurance business acquired	3,726,016	3,777,353	(51,337)
Other assets	18,682,087	19,299,098	(617,011)
Assets other than investment assets	$ 201,558,560	$ 215,503,895	$ (13,945,335)

The $1,057,247 increase in cash and cash equivalents is discussed below in the “Liquidity and Capital Resources” section where cash flows are addressed.

The $14,569,954 decrease in assets held in trust under the coinsurance agreement is due to a reduction in assets under TLIC’s annuity coinsurance agreement with an offshore annuity and life insurance company that is administered on a funds withheld basis.

The increases in deferred policy acquisition costs for the three months ended March 31, 2024 and 2023 are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024	2023
Balance, beginning of year	$ 60,795,108	$ 56,183,785
Capitalization of commissions, sales and issue expenses	2,925,293	3,735,611
Amortization	(2,325,711)	(2,021,411)
Deferred acquisition costs allocated to investments	(97)	(1,091)
Increase	599,485	1,713,109
Balance, end of year	$ 61,394,593	$ 57,896,894

Our other assets as of March 31, 2024 and December 31, 2023 are summarized as follows:

	(Unaudited) March 31, 2024	December 31, 2023	Amount Change 2024 less 2023
Federal and state income taxes recoverable	$ 11,735,796	$ 10,845,790	$ 890,006
Advances to mortgage loan originator	4,647,828	4,487,715	160,113
Guaranty funds	718,185	723,767	(5,582)
Other receivables	639,860	18,682	621,178
Accrued management fee	381,890	345,148	36,742
Lease asset - right to use	344,500	369,107	(24,607)
Prepaid assets and deposits	133,188	141,172	(7,984)
Notes receivable	41,828	44,319	(2,491)
Receivables from lottery vendor	39,012	278,207	(239,195)
Advances to an independently owned investment firm	-	2,045,191	(2,045,191)
Total other assets	$ 18,682,087	$ 19,299,098	$ (617,011)

There was a $2,045,191 decrease in advances to an independently owned investment firm due to the full repayment of a promissory note.

There was a $239,195 decrease in receivables from a lottery vendor.

There was a $160,113 increase in advances to one mortgage loan originator who acquires residential mortgage loans for our life companies.

The $621,178 increase in other receivables is primarily due to interest amounting to $602,307 from the Internal Revenue Service on a federal income tax refund of $8,087,076 for the tax years 2020, 2021 and 2022.

There was a $890,006 increase in federal and state income taxes recoverable primarily due to federal and state tax withholdings on lottery receivables.

Our liabilities as of March 31, 2024 and December 31, 2023 are summarized as follows:

	(Unaudited) March 31, 2024	December 31, 2023	Amount Change 2024 less 2023
Policy liabilities			
Policyholders' account balances	$ 361,193,652	$ 391,247,676	$ (30,054,024)
Future policy benefits	126,197,182	123,729,530	2,467,652
Policy claims	2,108,130	2,410,243	(302,113)
Other policy liabilities	237,725	250,294	(12,569)
Total policy liabilities	489,736,689	517,637,743	(27,901,054)
Funds withheld under coinsurance agreement	59,523,100	77,257,253	(17,734,153)
Deferred federal income taxes	4,431,860	4,228,189	203,671
Other liabilities	12,423,387	8,882,142	3,541,245
Total liabilities	$ 566,115,036	$ 608,005,327	$ (41,890,291)

The increase and decrease in policyholders' account balances for the three months ended March 31, 2024 and 2023, respectively, are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024 Amount	(Unaudited) Three Months Ended March 31, 2023 Amount
Policyholders' account balances, beginning	$ 391,247,676	$ 391,359,944
Deposits	7,327,231	32,853,989
Withdrawals	(59,796,715)	(23,365,092)
Change in funds withheld under coinsurance agreement	18,747,976	3,494,527
Interest credited	3,667,484	3,616,106
Increase (decrease)	(30,054,024)	16,599,530
Policyholders' account balances, ending	$ 361,193,652	$ 407,959,474

The $2,467,652 increase in future policy benefits during the three months ended March 31, 2024 is primarily related to the production of new life insurance policies and the aging of existing policies an additional year.

The $203,671 increase in deferred federal income taxes during the three months ended March 31, 2024 was due to $349,877 of operating deferred federal tax and $146,206 of decreased deferred federal income taxes on the unrealized appreciation of fixed maturity securities available-for-sale.

The $17,734,153 decrease in funds withheld under coinsurance agreement is due to significant 2024 surrenders of coinsured annuity contracts under coinsurance agreement with an offshore annuity and life insurance company.

Our other liabilities as of March 31, 2024 and December 31, 2023 are summarized as follows:

	(Unaudited) March 31, 2024	December 31, 2023	Amount Change 2024 less 2023
Suspense accounts payable	$ 5,890,621	$ 800,262	$ 5,090,359
Mortgage loans suspense	3,821,841	5,841,113	(2,019,272)
Guaranty fund assessments	713,000	713,000	-
Accrued expenses payable	610,000	696,000	(86,000)
Unclaimed funds	587,501	488,492	99,009
Accounts payable	513,962	53,804	460,158
Lease liability	344,500	369,107	(24,607)
Unearned investment income	121,753	115,166	6,587
Deferred revenue	38,500	41,250	(2,750)
Payable for securities purchased	5,613	7,082	(1,469)
Other payables, withholdings and escrows	(223,904)	(243,134)	19,230
Total other liabilities	$ 12,423,387	$ 8,882,142	$ 3,541,245

The $5,090,359 increase in suspense accounts payable is due to increased annuity deposits on policy applications that had not been issued as of the financial reporting date.

The decrease in mortgage loan suspense of $2,019,272 is primarily due to timing of principal loan payments on mortgage loans.

The increase in accounts payable of $460,158 is primarily due to the timing of legal payments.

Liquidity and Capital Resources

Our operations have been financed primarily through the private placement of equity securities and intrastate public stock offerings. Through March 31, 2024, we have received $27,119,480 from the sale of our shares.

The Company raised $1,450,000 from two private placements during 2004 and $25,669,480 from two public stock offerings and one private placement stock offering from June 22, 2005 through February 23, 2007; June 29, 2010 through April 30, 2012; and August 15, 2012 through March 8, 2013. The Company issued 7,347,488 shares of its common stock and incurred $3,624,518 of offering costs during these private placements and public stock offerings.

The Company also issued 702,685 shares of its common stock in connection with two stock dividends paid to shareholders in 2011 and 2012 that resulted in accumulated earnings being charged $5,270,138 with an offsetting credit of $5,270,138 to common stock and additional paid-in capital.

In 2020, the Company paid a $0.05 per share cash dividend for a total of $393,178 and issued 791,339 shares of class A common stock in connection with a 10% stock dividend to its Class A shareholders. The 10% stock dividend resulted in accumulated earnings being charged $8,657,249 with an offsetting credit of $8,657,249 to common stock and additional paid-in capital.

The Company has also purchased 247,580 shares of treasury stock at a cost of $893,947 from former members of the Board of Directors including the former Chairman of the Board of Directors, a former agent, the former spouse of the Company's Chairman, Chief Executive Officer and President and a charitable organization where a former member of the Board of Directors had donated shares of the Company's common stock.

As of March 31, 2024, we had cash and cash equivalents totaling $34,896,988. As of March 31, 2024, cash and cash equivalents of $18,391,220 and $9,317,233, respectively, totaling $27,708,453 were held by TLIC and FBLIC and may not be available for use by FTFC due to the required pre-approval by the OID of any dividend or intercompany transaction to transfer funds to FTFC. The maximum dividend, which may be paid in any twelve-month period without notification or approval, is limited to the greater of 10% of statutory surplus as of December 31 of the preceding year or the net gain from operations of the preceding calendar year.

Cash dividends may only be paid out of surplus derived from realized net profits. Based on these limitations, there is no capacity for TLIC to pay a dividend due to a negative unassigned surplus of $2,247,082 as of December 31, 2023. In addition, based on those limitations, there is the capacity for FBLIC to pay a dividend up to $1,373,511 in 2024 without prior approval. FBLIC has paid no dividends to TLIC in 2024 and 2023. TLIC has paid no dividends to FTFC in 2024 and 2023.

The Company maintains cash and cash equivalents at multiple institutions. The Federal Deposit Insurance Corporation insures interest and non-interest bearing accounts up to $250,000. Uninsured balances aggregate $33,187,926 and $26,017,084 as of March 31, 2024 and December 31, 2023, respectively. Other funds are invested in mutual funds that invest in U.S. government securities. We monitor the solvency of all financial institutions in which we have funds to minimize the exposure for loss. The Company has not experienced any losses in such accounts.

Our cash flows for the three months ended March 31, 2024 and 2023 are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024	2023	Amount Change 2024 less 2023
Net cash provided by operating activities	$ 26,189,244	$ 3,318,869	$ 22,870,375
Net cash provided by investing activities	27,337,487	8,982,079	18,355,408
Net cash provided by (used in) financing activities	(52,469,484)	9,488,897	(61,958,381)
Increase in cash and cash equivalents	1,057,247	21,789,845	(20,732,598)
Cash and cash equivalents, beginning of period	33,839,741	33,542,725	297,016
Cash and cash equivalents, end of period	$ 34,896,988	$ 55,332,570	$ (20,435,582)

The cash provided by operating activities for the three months ended March 31, 2024 and 2023 are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2024	2023	Amount Change 2024 less 2023
Premiums collected	$ 9,424,586	$ 8,983,396	$ 441,190
Net investment income collected	7,064,027	6,095,077	968,950
Service fees and other income collected	856,523	983,267	(126,744)
Death benefits paid	(3,600,825)	(3,980,606)	379,781
Surrenders paid	(577,357)	(432,866)	(144,491)
Dividends and endowments paid	(84,768)	(81,947)	(2,821)
Commissions paid	(2,933,916)	(3,588,011)	654,095
Other underwriting, insurance and acquisition expenses paid	(3,818,239)	(3,274,819)	(543,420)
Taxes paid	(1,023,579)	(1,078,408)	54,829
Decreased funds under coinsurance agreement	15,583,778	1,813,339	13,770,439
(Increased) decreased mortgage loan suspense	(2,019,273)	2,426,119	(4,445,392)
Decreased advances to independently owned investment firm	2,045,191	-	2,045,191
Decreased advances to investment vendor	220,323	-	220,323
Increased advances to mortgage loan originator	(160,113)	(459,937)	299,824
Increased (Decreased) deposits of pending policy applications	5,090,359	(4,085,735)	9,176,094
Other	122,527	-	122,527
Cash provided by operating activities	$ 26,189,244	$ 3,318,869	$ 22,870,375

Please see the statements of cash flows for the three months ended March 31, 2024 and 2023 for a summary of the components of net cash used in investing activities and net cash provided by financing activities.

Our shareholders' equity as of March 31, 2024 and December 31, 2023 is summarized as follows:

	(Unaudited) March 31, 2024	December 31, 2023	Amount Change 2024 less 2023
Shareholders' equity			
Class A common stock, par value $.01 per share (40,000,000 shares authorized as of March 31, 2024 and December 31, 2023, 9,631,920 issued as of March 31, 2024 and December 31, 2023, 9,384,340 outstanding as of March 31, 2024 and December 31, 2023)	$ 96,319	$ 96,319	$ -
Class B common stock, par value $.01 per share (10,000,000 shares authorized, 101,102 issued and outstanding as of March 31, 2024 and December 31, 2023)	1,011	1,011	-
Additional paid-in capital	43,668,023	43,668,023	-
Treasury stock, at cost (247,580 shares as of March 31, 2024 and December 31, 2023)	(893,947)	(893,947)	-
Accumulated other comprehensive loss	(10,191,324)	(9,641,308)	(550,016)
Accumulated earnings	32,580,263	30,786,110	1,794,153
Total shareholders' equity	$ 65,260,345	$ 64,016,208	$ 1,244,137

The increase in shareholders' equity of $1,244,137 for the three months ended March 31, 2024 is due to $1,794,153 in net income and a $550,016 decrease in accumulated other comprehensive loss.

The liquidity requirements of our life insurance companies are met primarily by funds provided from operations. Premium and annuity consideration deposits, investment income and investment maturities are the primary sources of funds, while investment purchases, policy benefits, and operating expenses are the primary uses of funds. There were no liquidity issues in 2024 or 2023. Our investments include marketable debt securities that could be readily converted to cash for liquidity needs.

We are subject to various market risks. The quality of our investment portfolio and the current level of shareholders' equity continue to provide a sound financial base as we strive to expand our marketing to offer competitive products. Our investment portfolio had unrealized depreciation on available-for-sale securities of ($12,903,407) and ($12,207,282) as of March 31, 2024 and December 31, 2023, respectively, prior to the impact of income taxes and deferred acquisition cost adjustments. A decrease of $697,823 in unrealized losses arising for the three months ended March 31, 2024 has been impacted by 2024 net realized investment losses of $1,698 originating from the sale and call activity for fixed maturity securities available-for-sale resulting in net unrealized losses on investments of $696,125.

A primary liquidity concern is the risk of an extraordinary level of early policyholder withdrawals. We include provisions within our insurance policies, such as surrender charges, that help limit and discourage early withdrawals. Individual life insurance policies are less susceptible to withdrawal than annuity reserves and deposit liabilities because policyholders may incur surrender charges and undergo a new underwriting process in order to obtain a new insurance policy. Cash flow projections and cash flow tests under various market interest rate scenarios are also performed annually to assist in evaluating liquidity needs and adequacy. We currently anticipate that available liquidity sources and future cash flows will be adequate to meet our needs for funds.

One of our significant risks relates to the fluctuations in interest rates. Regarding interest rates, the value of our available-for-sale fixed maturity securities investment portfolio will increase or decrease in an inverse relationship with fluctuations in interest rates, while net investment income earned on newly acquired available-for-sale fixed maturity securities increases or decreases in direct relationship with interest rate changes.

From an income perspective, we are exposed to rising interest rates which could be a significant risk, as TLIC's and FBLIC's annuity business is impacted by changes in interest rates. Life insurance company policy liabilities bear fixed rates. From a liquidity perspective, our fixed rate policy liabilities are relatively insensitive to interest rate fluctuations.

We believe gradual increases in interest rates do not present a significant liquidity exposure for the life insurance policies and annuity contracts. We maintain conservative durations in our fixed maturity portfolio.

As of March 31, 2024, cash and cash equivalents, short-term investments, the fair value of fixed maturity available-for-sale securities with maturities of less than one year and the fair value of lottery receivables with maturities of less than one year equaled 10.6% of total policy liabilities. If interest rates rise significantly in a short time frame, there can be no assurance that the life insurance industry, including the Company, would not experience increased levels of surrenders and reduced sales, and thereby be materially adversely affected.

In addition to the measures described above, TLIC and FBLIC must comply with the National Association of Insurance Commissioners promulgated Standard Valuation Law ("SVL") which specifies minimum reserve levels and prescribes methods for determining them, with the intent of enhancing solvency. Upon meeting certain tests, which TLIC and FBLIC met during 2023, the SVL also requires the Company to perform annual cash flow testing for TLIC and FBLIC. This testing is designed to ensure that statutory reserve levels will maintain adequate protection in a variety of potential interest rate scenarios. The Actuarial Standards Board of the American Academy of Actuaries also requires cash flow testing as a basis for the actuarial opinion on the adequacy of the reserves which is a required part of the annual statutory reporting process.

Our marketing plan could be modified to emphasize certain product types and reduce others. New business levels could be varied in order to find the optimum level. We believe that our current liquidity, current bond portfolio maturity distribution and cash position give us substantial resources to administer our existing business and fund growth generated by direct sales.

The operations of TLIC and FBLIC may require additional capital contributions to meet statutory capital and surplus requirements mandated by state insurance departments. Life insurance contract liabilities are generally long term in nature and are generally paid from future cash flows or existing assets and reserves. We will service other expenses and commitments by: (1) using available cash, (2) dividends from TLIC and FBLIC that are limited by law to the greater of prior year net operating income or 10% of prior year-end surplus unless specifically approved by the controlling insurance department, (3) public and private offerings of our common stock and (4) corporate borrowings, if necessary.

We are not aware of any commitments or unusual events that could materially affect our capital resources. We are not aware of any current recommendations by any regulatory authority which, if implemented, would have a material adverse effect on our liquidity, capital resources or operations. We believe that our existing cash and cash equivalents as of March 31, 2024 will be sufficient to fund our anticipated operating expenses.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking statements. The forward-looking statements are made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, and include estimates and assumptions related to economic, competitive and legislative developments. Forward-looking statements may be identified by words such as “expects,” “intends,” “anticipates,” “plans,” “believes,” “estimates,” “will” or words of similar meaning; and include, but are not limited to, statements regarding the outlook of our business and financial performance. These forward-looking statements are subject to change and uncertainty, which are, in many instances, beyond our control and have been made based upon our expectations and beliefs concerning future developments and their potential effect upon us.

There can be no assurance that future developments will be in accordance with our expectations, or that the effect of future developments on us will be as anticipated. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties. There are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements. These factors include among others:

- general economic conditions and financial factors, including the performance and fluctuations of fixed income, equity, real estate, credit capital and other financial markets;
- differences between actual experience regarding mortality, morbidity, persistency, surrenders, investment returns, and our pricing assumptions establishing liabilities and reserves or for other purposes;

- the effect of increased claims activity from natural or man-made catastrophes, pandemic disease, or other events resulting in catastrophic loss of life;
- adverse determinations in litigation or regulatory matters and our exposure to contingent liabilities;
- inherent uncertainties in the determination of investment allowances and impairments and in the determination of the valuation allowance on the deferred income tax asset;
- investment losses and defaults;
- competition in our product lines;
- attraction and retention of qualified employees and agents;
- ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks;
- the availability, affordability and adequacy of reinsurance protection;
- the effects of emerging claim and coverage issues;
- the cyclical nature of the insurance business;
- interest rate fluctuations;
- changes in our experiences related to deferred policy acquisition costs;
- the ability and willingness of counterparties to our reinsurance arrangements and derivative instruments to pay balances due to us;
- impact of medical epidemics and viruses;
- domestic or international military actions;
- the effects of extensive government regulation of the insurance industry;
- changes in tax and securities law;
- changes in statutory or U.S. generally accepted accounting principles ("GAAP"), practices or policies;
- regulatory or legislative changes or developments;
- the effects of unanticipated events on our disaster recovery and business continuity planning;
- failures or limitations of our computer, data security and administration systems;
- risks of employee error or misconduct;
- the assimilation of life insurance businesses we acquire and the sound management of these businesses;
- the availability of capital to expand our business; and
- Coronavirus disease impact on economic environment.

It is not our corporate policy to make specific projections relating to future earnings, and we do not endorse any projections regarding future performance made by others. In addition, we do not publicly update or revise forward-looking statements based on the outcome of various foreseeable or unforeseeable developments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer ("Certifying Officers"), has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934 as amended ("Exchange Act") as of the end of the fiscal period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Certifying Officers have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is made known to management, including our Certifying Officers, as appropriate, to allow timely decisions regarding disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes to Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are a party to various legal proceedings in the ordinary course of business. While management is unable to predict the ultimate outcome of these actions, it believes that any ultimate liability arising from them will not have a material effect on the Company's financial position, results of operations or cash flow. We are not currently a party to any bankruptcy, receivership, reorganization, adjustment or similar proceeding, and we are not aware of any material threatened litigation. As summarized below, the Company is currently involved in three pending lawsuits.

A lawsuit filed by the Company and its Chairman and Chief Executive Officer, Gregg E. Zahn ("Mr. Zahn") styled First Trinity Financial Corporation and Gregg E. Zahn vs. C. Wayne Pettigrew and Group & Pension Planners was originally filed in 2013 in the District Court of Tulsa County, Oklahoma against former Company Board of Director, C. Wayne Pettigrew ("Mr. Pettigrew"). The Company and Mr. Zahn alleged that Mr. Pettigrew defamed Mr. Zahn and the Company and that Mr. Pettigrew breached his fiduciary duties to the Company by making untrue statements about the Company and Mr. Zahn to the press, state regulators and to certain shareholders.

In February 2017, the lawsuit resulted in a jury verdict in favor of the Company and Mr. Zahn, with the jury awarding damages of $800,000 to the Company and $3,500,000 to Mr. Zahn. In February 2020, the Oklahoma Court of Civil Appeals, upon an appeal by Mr. Pettigrew, reversed the judgment and remanded the case for a new trial. A Petition for Certiorari review with the Oklahoma Supreme Court by the Company and Mr. Zahn was declined in December, 2020. The case is now scheduled to be retried in the District Court once a trial date is set. The Company is vigorously prosecuting this case. The Company faces no exposure in connection with this action since there were no counterclaims or cross claims made against the Company. Management believes that this lawsuit is not material in relation to the Company's financial position or results of operations.

The Company, through its life insurance subsidiary, TLIC, commenced two lawsuits as plaintiff, both in the New York Supreme Court, New York County, one on June 29, 2020 and another on March 4, 2022, for breach of contract against a company for failure to advance funding to lottery ticket winners to the detriment of TLIC and against various of that company's associated persons for unjust enrichment and fraud perpetuated on TLIC. The cases are entitled "Trinity Life Insurance Company v. Advance Funding LLC, Dan Cevallos, and Monica L. Ray, Index No. 652780/2020" (New York Supreme Court, New York County) and "Trinity Life Insurance Company v. Advance Funding LLC, Dan Cevallos, Julie Casal, and Monica L. Ray, Index No. 651023/2022" (New York Supreme Court, New York County). The Company is vigorously prosecuting this case against the defendants. The Company faces no exposure in connection with either action since no counterclaims or cross claims have been made against the Company. Management believes that this lawsuit is not material in relation to the Company's financial position or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer
101.INS**	Inline XBRL Instance
101.SCH**	Inline XBRL Taxonomy Extension Schema
101.CAL**	Inline XBRL Taxonomy Extension Calculation
101.DEF**	Inline XBRL Taxonomy Extension Definition
101.LAB**	Inline XBRL Taxonomy Extension Labels
101.PRE**	Inline XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)
**XBRL	Information is furnished and not filed as part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

In accordance with requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST TRINITY FINANCIAL CORPORATION
an Oklahoma corporation

May 14, 2024

By /s/ Gregg E. Zahn
Gregg E. Zahn, President and Chief Executive Officer

May 14, 2024

By /s/ Jeffrey J. Wood
Jeffrey J. Wood, Chief Financial Officer

EXHIBIT NO. 31.1

CERTIFICATION

I, Gregg E. Zahn, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly report on Form 10-Q of First Trinity Financial Corporation;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) 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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) 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, the registrant's fourth quarter in the case of an annual report, 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 officer 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 (or persons performing the equivalent functions):

(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: May 14, 2024

By: /s/ Gregg E. Zahn
Gregg E. Zahn, President and Chief Executive Officer

EXHIBIT NO. 31.2

CERTIFICATION

I, Jeffrey J. Wood, Chief Financial Officer and Chief Accounting Officer, certify that:

1. I have reviewed this Quarterly report on Form 10-Q of First Trinity Financial Corporation;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) 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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) 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, the registrant's fourth quarter in the case of an annual report, 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 officer 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 (or persons performing the equivalent functions):

(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: May 14, 2024

By: /s/ Jeffrey J. Wood
Jeffrey J. Wood, Chief Financial Officer

EXHIBIT NO. 32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. ss. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of First Trinity Financial Corporation, an Oklahoma corporation (the "Company"), hereby certifies that:

To my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2024

By: /s/ Gregg E. Zahn
Gregg E. Zahn, President and Chief Executive Officer

EXHIBIT NO. 32.2

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. ss. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of First Trinity Financial Corporation, an Oklahoma corporation (the "Company"), hereby certifies that:

To my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2024

By: /s/ Jeffrey J. Wood
Jeffrey J. Wood, Chief Financial Officer