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, 2019

[ ] **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: Common stock .01 par value as of May 8, 2019: 7,802,593 shares

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, 2019

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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, 2019	December 31, 2018
Assets		
Investments		
Available-for-sale fixed maturity securities at fair value (amortized cost: $137,457,653 and $134,414,517 as of March 31, 2019 and December 31, 2018, respectively)	$ 139,272,690	$ 131,152,199
Available-for-sale preferred stock at fair value (cost: $99,945 as of March 31, 2019 and December 31, 2018)	100,400	90,580
Equity securities at fair value (cost: $191,082 and $187,122 as of March 31, 2019 and December 31, 2018, respectively)	216,273	198,668
Mortgage loans on real estate	143,182,286	130,049,610
Investment real estate	2,454,877	2,392,031
Policy loans	1,834,806	1,809,339
Short-term investments	1,810,524	896,371
Other long-term investments	63,185,895	59,255,477
Total investments	352,057,751	325,844,275
Cash and cash equivalents	69,295,720	29,665,605
Accrued investment income	3,182,581	2,672,978
Recoverable from reinsurers	2,472,167	2,323,157
Assets held in trust under coinsurance agreement	45,209,891	25,494,700
Agents' balances and due premiums	1,521,746	1,418,916
Deferred policy acquisition costs	32,520,354	29,681,737
Value of insurance business acquired	5,104,423	5,185,870
Other assets	12,338,834	11,219,612
Total assets	$ 523,703,467	$ 433,506,850
Liabilities and Shareholders' Equity		
Policy liabilities		
Policyholders' account balances	$ 333,310,416	$ 297,168,411
Future policy benefits	58,376,526	56,261,507
Policy claims	1,449,529	1,102,257
Other policy liabilities	77,897	72,559
Total policy liabilities	393,214,368	354,604,734
Funds withheld under coinsurance agreement	57,673,090	29,285,119
Deferred federal income taxes	3,516,056	2,373,478
Other liabilities	24,743,512	8,118,268
Total liabilities	479,147,026	394,381,599
Shareholders' equity		
Common stock, par value $.01 per share (20,000,000 shares authorized, 8,050,173 issued as of March 31, 2019 and December 31, 2018 and 7,802,593 outstanding as of March 31, 2019 and December 31, 2018)	80,502	80,502
Additional paid-in capital	28,684,598	28,684,598
Treasury stock, at cost (247,580 shares as of March 31, 2019 and December 31, 2018)	(893,947)	(893,947)
Accumulated other comprehensive income (loss)	1,432,363	(2,576,631)
Accumulated earnings	15,252,925	13,830,729
Total shareholders' equity	44,556,441	39,125,251
Total liabilities and shareholders' equity	$ 523,703,467	$ 433,506,850

See notes to consolidated financial statements (unaudited).

First Trinity Financial Corporation and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended March 31, 2019	2018
Revenues		
Premiums	$ 5,530,806	$ 4,486,735
Net investment income	5,573,456	4,684,242
Net realized investment gains (losses)	53,720	(24,784)
Service fees	427,734	3,400
Other income	38,984	17,827
Total revenues	11,624,700	9,167,420
Benefits, Claims and Expenses		
Benefits and claims		
Increase in future policy benefits	2,151,600	1,439,591
Death benefits	1,632,780	1,562,056
Surrenders	350,407	227,669
Interest credited to policyholders	2,550,672	2,307,331
Dividend, endowment and supplementary life contract benefits	68,669	67,685
Total benefits and claims	6,754,128	5,604,332
Policy acquisition costs deferred	(3,615,460)	(2,308,033)
Amortization of deferred policy acquisition costs	764,346	823,548
Amortization of value of insurance business acquired	81,447	89,611
Commissions	3,572,572	2,103,122
Other underwriting, insurance and acquisition expenses	2,265,575	1,643,393
Total expenses	3,068,480	2,351,641
Total benefits, claims and expenses	9,822,608	7,955,973
Income before total federal income tax expense	1,802,092	1,211,447
Current federal income tax expense	303,002	-
Deferred federal income tax expense	76,894	271,066
Total federal income tax expense	379,896	271,066
Net income	$ 1,422,196	$ 940,381
Net income per common share basic and diluted	$ 0.18	$ 0.12

See notes to consolidated financial statements (unaudited).

First Trinity Financial Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net income	$ 1,422,196	$ 940,381
Other comprehensive income (loss)		
Total net unrealized gains (losses) arising during the period	5,127,250	(4,380,790)
Cumulative effect, adoption of accounting guidance for equity securities	-	(68,508)
Less net realized investment gains (losses) having no credit losses	40,075	(1,170)
Net unrealized gains (losses)	5,087,175	(4,448,128)
Less adjustment to deferred acquisition costs	12,497	(75,690)
Other comprehensive income (loss) before income tax expense (benefit)	5,074,678	(4,372,438)
Income tax expense (benefit)	1,065,684	(918,212)
Total other comprehensive income (loss)	4,008,994	(3,454,226)
Total comprehensive income (loss)	$ 5,431,190	$ (2,513,845)

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, 2019 and 2018

(Unaudited)

	Common Stock $.01 Par Value	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income	Accumulated Earnings	Total Shareholders' Equity
Balance as of January 1, 2018	$ 80,502	$ 28,684,598	$ (893,947)	$ 4,760,951	$ 8,620,075	$ 41,252,179
Comprehensive loss:						
Net income	-	-	-	-	940,381	940,381
Cumulative effect, adoption of accounting guidance for equity securities	-	-	-	-	68,508	68,508
Other comprehensive loss	-	-	-	(3,454,226)	-	(3,454,226)
Balance as of March 31, 2018	$ 80,502	$ 28,684,598	$ (893,947)	$ 1,306,725	$ 9,628,964	$ 38,806,842
Balance as of January 1, 2019	$ 80,502	$ 28,684,598	$ (893,947)	$ (2,576,631)	$ 13,830,729	$ 39,125,251
Comprehensive income:						
Net income	-	-	-	-	1,422,196	1,422,196
Other comprehensive income	-	-	-	4,008,994	-	4,008,994
Balance as of March 31, 2019	$ 80,502	$ 28,684,598	$ (893,947)	$ 1,432,363	$ 15,252,925	$ 44,556,441

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Operating activities		
Net income	$ 1,422,196	$ 940,381
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for depreciation	36,372	36,372
Accretion of discount on investments	(1,167,169)	(837,220)
Net realized investment losses (gains)	(53,720)	24,784
Amortization of policy acquisition cost	764,346	823,548
Policy acquisition cost deferred	(3,615,460)	(2,308,033)
Amortization of loan origination fees	7,460	13,365
Amortization of value of insurance business acquired	81,447	89,611
Allowance for mortgage loan losses	33,217	41,203
Provision for deferred federal income tax expense	76,894	271,066
Interest credited to policyholders	2,550,672	2,307,331
Change in assets and liabilities:		
Policy loans	(25,467)	12,855
Short-term investments	(914,153)	(1,995,943)
Accrued investment income	(509,603)	(79,480)
Recoverable from reinsurers	(149,010)	167,449
Assets held in trust under coinsurance agreement	(19,715,191)	-
Agents' balances and due premiums	(102,830)	70,148
Other assets (excludes change in receivable for securities sold of $33,600 and ($303,014) in 2019 and 2018, respectively)	(1,152,822)	(228,358)
Future policy benefits	2,115,019	1,433,136
Policy claims	347,272	65,022
Other policy liabilities	5,338	2,139
Other liabilities (exclude change in payable for securities purchased of ($124,160) and ($132,961) in 2019 and 2018, respectively)	16,749,404	1,392,743
Net cash provided by (used in) operating activities	(3,215,788)	2,242,119
Investing activities		
Purchases of fixed maturity securities	(6,536,434)	(6,885,843)
Maturities of fixed maturity securities	2,600,000	1,950,000
Sales of fixed maturity securities	799,846	629,791
Purchases of equity securities	(27,784)	(968)
Sales of equity securities	-	412
Joint venture distribution	23,824	-
Purchases of mortgage loans	(21,818,443)	(16,247,647)
Payments on mortgage loans	8,694,982	6,810,769
Purchases of other long-term investments	(5,629,292)	(4,737,503)
Payments on other long-term investments	2,850,460	2,711,668
Net change in receivable and payable for securities sold and purchased	(90,560)	(435,975)
Net cash used in investing activities	(19,133,401)	(16,205,296)
Financing activities		
Policyholders' account deposits	70,719,584	7,433,520
Policyholders' account withdrawals	(8,740,280)	(7,160,631)
Net cash provided by financing activities	61,979,304	272,889
Increase (decrease) in cash and cash equivalents	39,630,115	(13,690,288)
Cash and cash equivalents, beginning of period	29,665,605	31,496,159
Cash and cash equivalents, end of period	$ 69,295,720	$ 17,805,871

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 2019, the Company foreclosed on one residential mortgage loan of real estate totaling $99,218 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, 2019
Reductions in mortgage loans due to foreclosure	$ 99,218
Investment real estate held-for-sale acquired through foreclosure	(99,218)
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") and First Trinity Capital Corporation ("FTCC"). 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 Illinois, Kansas, Kentucky, Montana, Nebraska, North Dakota, Ohio, Oklahoma and Texas. 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 FTCC that was incorporated in 2006, and began operations in January 2007. FTCC provided financing for casualty insurance premiums for individuals and companies and was licensed to conduct premium financing business in the states of Alabama, Arkansas, Louisiana, Mississippi and Oklahoma. FTCC has made no premium financing loans since June 30, 2012.

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.

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.

Acquisitions

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 cost 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.

1. Organization and Significant Accounting Policies (continued)

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 (including cash), assumed liabilities of $3,055,916 and recorded a gain on reinsurance assumption of $588,923.

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, 2019 are not necessarily indicative of the results to be expected for the year ended December 31, 2019 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, 2018.

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.

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

Common stock is fully paid, non-assessable and has a par value of $.01 per share.

Treasury Stock

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.

1. Organization and Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated all events subsequent to March 31, 2019 through the date that these financial statements have been issued.

Recent Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued updated guidance (Accounting Standards Update 2018-11) to require lessees to recognize a right-of-use asset and a lease liability for leases with terms of more than 12 months. The updated guidance retains the two classifications of a lease as either an operating or finance lease (previously referred to as a capital lease). Both lease classifications require the lessee to record the right-of-use asset and the lease liability based upon the present value of cash flows. Finance leases will reflect the financial arrangement by recognizing interest expense on the lease liability separately from the amortization expense of the right-of-use asset. Operating leases will recognize lease expense (with no separate recognition of interest expense) on a straight-line basis over the term of the lease. The accounting by lessors is not significantly changed by the updated guidance. The updated guidance requires expanded qualitative and quantitative disclosures, including additional information about the amounts recorded in the financial statements.

In July 2018, the FASB amended the updated guidance on leases that was issued in February 2016 (Accounting Standards Update 2018-11) and provided an additional transition method with which to adopt the updated guidance. Under the additional transition method, entities may elect to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the year of adoption. Consequently, if this transition method is elected, an entity's reporting for the comparative periods prior to adoption presented in the financial statements would continue to be in accordance with current lease guidance. The amendments also provide lessors with a practical expedient to combine non-lease components (e.g., a fee for common area maintenance when leasing office space) with the associated lease component rather than accounting for those components separately if certain criteria are met. The updated guidance requires entities to recognize a right-of-use asset and lease liability equal to the present value of lease payments for all leases other than those that are less than one year. The updated guidance, as amended, is effective for reporting periods beginning after December 15, 2018.

In December 2018, the FASB issued additional guidance (Accounting Standards Update 2018-20) that permits an accounting policy election for lessors to not evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. A lessor making this election will exclude from the consideration in the contract and from variable payments not included in the consideration of the contract all collections from lessees of certain sales taxes and other similar taxes and to provide certain disclosures.

The Company adopted this guidance in first quarter 2019. The adoption of this guidance in 2019 did not have a material effect on the Company's results of operations, financial position or liquidity.

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 applies 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 requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses should consider 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, will be 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 amends the current other-than-temporary impairment model for available-for-sale debt securities by requiring 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 updated guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted for reporting periods beginning after December 15, 2018. Based on the financial instruments currently held by the Company, there would not be a material effect on the Company's results of operations, financial position or liquidity if the new guidance were able to be adopted in the current accounting period. The impact on the Company's results of operations, financial position or liquidity at the date of adoption of the updated guidance will be determined by the financial instruments held by the Company and the economic conditions at that time.

Intangibles - Goodwill and Other

In January 2017, the FASB issued updated guidance (Accounting Standards Update 2017-04) that eliminates the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of the current goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge by comparing a reporting unit's fair value with its carrying amount and recognizing an impairment charge for the excess of the carrying amount over estimated fair value (i.e., Step 1 of current guidance). The implied fair value of goodwill is currently determined in Step 2 by deducting the fair value of all assets and liabilities of the reporting unit (determined in the same manner as a business combination) from the reporting unit's fair value as determined in Step 1 (including any corporate-level assets or liabilities that were included in the determination of the carrying amount and fair value of the reporting unit in Step 1). The updated guidance requires an entity to perform its annual, or interim, impairment test by either: (1) an initial qualitative assessment of factors (such as changes in management, key personnel, strategy, key technology or customers) that may impact a reporting unit's fair value and lead to the determination that it is more likely than not that the reporting unit's fair value is less than its carrying value, including goodwill (consistent with current guidance), or (2) applying Step 1.

The updated guidance is effective for reporting periods beginning after December 15, 2019 and is to be applied prospectively. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

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 is effective for reporting periods beginning after December 15, 2020. Early adoption is permitted. 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 2021 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)

Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the FASB issued amendments (Accounting Standards Update 2018-13) to modify the disclosure requirements related to fair value measurements including the consideration of costs and benefits of producing the modified disclosures. The updated guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removed or modified disclosures upon issuance and delay adoption of the additional disclosures until their effective date. The adoption of this guidance in 2020 is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

2. Investments

Investments in fixed maturity and preferred stock available-for-sale and equity securities as of March 31, 2019 and December 31, 2018 are summarized as follows:

	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	March 31, 2019 (Unaudited)			
Fixed maturity securities				
U.S. government and U.S. government agencies	$ 1,801,279	$ 2,054	$ 58,250	$ 1,745,083
States and political subdivisions	9,277,644	364,811	6,915	9,635,540
Residential mortgage-backed securities	22,252	26,041	-	48,293
Corporate bonds	103,183,030	2,633,218	1,107,842	104,708,406
Asset-backed	253,519	8,091	-	261,610
Foreign bonds	22,919,929	415,931	462,102	22,873,758
Total fixed maturity securities	137,457,653	3,450,146	1,635,109	139,272,690
Preferred stock	99,945	855	400	100,400
Equity securities				
Mutual funds	91,982	-	11,731	80,251
Corporate common stock	99,100	36,922	-	136,022
Total equity securities	191,082	36,922	11,731	216,273
Total fixed maturity, preferred stock and equity securities	$ 137,748,680	$ 3,487,923	$ 1,647,240	$ 139,589,363
	December 31, 2018			
Fixed maturity securities				
U.S. government and U.S. government agencies	$ 2,793,681	$ 2,769	$ 91,739	$ 2,704,711
States and political subdivisions	9,295,973	215,000	32,941	9,478,032
Residential mortgage-backed securities	23,694	27,461	-	51,155
Corporate bonds	100,360,468	823,991	3,220,268	97,964,191
Asset-backed	253,598	7,820	-	261,418
Foreign bonds	21,687,103	75,525	1,069,936	20,692,692
Total fixed maturity securities	134,414,517	1,152,566	4,414,884	131,152,199
Preferred stock	99,945	-	9,365	90,580
Equity securities				
Mutual funds	91,981	-	17,082	74,899
Corporate common stock	95,141	28,628	-	123,769
Total equity securities	187,122	28,628	17,082	198,668
Total fixed maturity, preferred stock and equity securities	$ 134,701,584	$ 1,181,194	$ 4,441,331	$ 131,441,447

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, 2019 and December 31, 2018 are summarized as follows:

	Fair Value	Unrealized Loss	Number of Securities
	March 31, 2019 (Unaudited)		
Fixed maturity securities			
Less than 12 months in an unrealized loss position			
States and political subdivisions	$ 486,296	$ 6,915	3
Corporate bonds	15,199,095	290,145	50
Foreign bonds	4,516,082	158,214	17
Total less than 12 months in an unrealized loss position	20,201,473	455,274	70
More than 12 months in an unrealized loss position			
U.S. government and U.S. government agencies	1,621,687	58,250	6
Corporate bonds	14,750,863	817,697	58
Foreign bonds	5,226,329	303,888	15
Total more than 12 months in an unrealized loss position	21,598,879	1,179,835	79
Total fixed maturity securities in an unrealized loss position	41,800,352	1,635,109	149
Preferred stock, less than 12 months in an unrealized loss position	49,600	400	1
Equity securities (mutual funds), less than 12 months in an unrealized loss position	80,249	11,731	1
Total fixed maturity, preferred stock and equity securities in an unrealized loss position	$ 41,930,201	$ 1,647,240	$ 151
	December 31, 2018		
Fixed maturity securities			
Less than 12 months in an unrealized loss position			
U.S. government and U.S. government agencies	$ 991,660	$ 2,419	1
States and political subdivisions	1,066,743	7,948	6
Corporate bonds	58,506,980	2,154,898	215
Foreign bonds	14,554,291	852,120	50
Total less than 12 months in an unrealized loss position	75,119,674	3,017,385	272
More than 12 months in an unrealized loss position			
U.S. government and U.S. government agencies	1,590,655	89,320	6
States and political subdivisions	518,969	24,993	4
Corporate bonds	7,107,831	1,065,370	30
Foreign bonds	1,376,680	217,816	5
Total more than 12 months in an unrealized loss position	10,594,135	1,397,499	45
Total fixed maturity securities in an unrealized loss position	85,713,809	4,414,884	317
Preferred stock, less than 12 months in an unrealized loss position	90,580	9,365	2
Equity securities (mutual funds), less than 12 months in an unrealized loss position	74,899	17,082	1
Total fixed maturity, preferred stock and equity securities in an unrealized loss position	$ 85,879,288	$ 4,441,331	$ 320

2. Investments (continued)

As of March 31, 2019, the Company held 149 available-for-sale fixed maturity securities with an unrealized loss of $1,635,109, fair value of $41,800,352 and amortized cost of $43,435,461. These unrealized losses were primarily due to market interest rate movements in the bond market as of March 31, 2019. The ratio of the fair value to the amortized cost of these 149 securities is 96%.

As of December 31, 2018, the Company held 317 available-for-sale fixed maturity securities with an unrealized loss of $4,414,884, fair value of $85,713,809 and amortized cost of $90,128,693. These unrealized losses were primarily due to market interest rate movements in the bond market as of December 31, 2018. The ratio of the fair value to the amortized cost of these 317 securities is 95%.

As of March 31, 2019, the Company held one equity security with an unrealized loss of $11,731, fair value of $80,249 and cost of $91,980. The ratio of fair value to cost of this security is 87%.

As of December 31, 2018, the Company held one equity security with an unrealized loss of $17,082, fair value of $74,899 and cost of $91,981. The ratio of fair value to cost of this security is 81%.

As of March 31, 2019, the Company held one preferred stock with an unrealized loss of $400, fair value of $49,600 and cost of $50,000. The ratio of fair value to cost of this preferred stock is 99%.

As of December 31, 2018, the Company held two preferred stocks with an unrealized loss of $9,365, fair value of $90,580 and cost of $99,945. The ratio of fair value to cost of these two preferred stocks is 91%.

Fixed maturity securities were 96% investment grade as rated by Standard & Poor's as of March 31, 2019 and December 31, 2018.

The Company's decision to record an impairment loss is primarily based on whether the security's fair value is likely to remain significantly below its book value based on all of the factors considered. Factors that are considered include the length of time the security's fair value has been below its carrying amount, the severity of the decline in value, the credit worthiness of the issuer, and the coupon and/or dividend payment history of the issuer. The Company also assesses whether it intends to sell or whether it is more likely than not that it may be required to sell the security prior to its recovery in value.

For any fixed maturity securities that are other-than-temporarily impaired, the Company determines the portion of the other-than-temporary impairment that is credit-related and the portion that is related to other factors. The credit-related portion is the difference between the expected future cash flows and the amortized cost basis of the fixed maturity security, and that difference is charged to earnings. The non-credit-related portion representing the remaining difference to fair value is recognized in other comprehensive income (loss). Only in the case of a credit-related impairment where management has the intent to sell the security, or it is more likely than not that it will be required to sell the security before recovery of its cost basis, is a fixed maturity security adjusted to fair value and the resulting losses recognized in realized gains (losses) in the consolidated statements of operations. Any other-than-temporary impairments on equity securities are recorded in the consolidated statements of operations in the periods incurred as the difference between fair value and cost.

There were no impairments during the three months ended March 31, 2019 and 2018.

Management believes that the Company will fully recover its cost basis in the securities held as of March 31, 2019, and management does not have the intent to sell nor is it more likely than not that the Company will be required to sell such securities until they recover or mature. The remaining temporary impairments shown herein are primarily the result of the current interest rate environment rather than credit factors that would imply other-than-temporary impairment.

2. Investments (continued)

Net unrealized gains 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 appreciation had been realized as of March 31, 2019 and December 31, 2018, are summarized as follows:

	(Unaudited) March 31, 2019	December 31, 2018
Unrealized appreciation (depreciation) on available-for-sale securities	$ 1,815,492	$ (3,271,683)
Adjustment to deferred acquisition costs	(2,373)	10,124
Deferred income taxes	(380,756)	684,928
Net unrealized appreciation (depreciation) on available-for-sale securities	$ 1,432,363	$ (2,576,631)

The Company's investment in lottery prize cash flows categorized as other long-term investments in the statement of financial position was $63,185,895 and $59,255,477 as of March 31, 2019 and December 31, 2018, 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, 2019, by contractual maturity, are summarized as follows:

	March 31, 2019 (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	$ 3,038,344	$ 3,062,717	$ 8,952,216	$ 9,099,748
Due after one year through five years	28,377,978	28,984,355	27,610,745	30,380,461
Due after five years through ten years	43,330,357	43,678,550	18,314,803	23,039,451
Due after ten years	62,688,722	63,498,775	8,308,131	13,517,451
Due at multiple maturity dates	22,252	48,293	-	-
	$ 137,457,653	$ 139,272,690	$ 63,185,895	$ 76,037,111

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 equity securities for the three months ended March 31, 2019 and 2018 are summarized as follows:

	Three Months Ended March 31, (Unaudited)			
	Fixed Maturity Securities		Equity Securities	
	2019	2018	2019	2018
Proceeds	$ 3,399,846	$ 2,579,791	$ -	$ 412
Gross realized gains	44,555	6,101	-	106
Gross realized losses	(4,480)	(7,271)	-	-

The accumulated change in unrealized investment gains (losses) for fixed maturity and preferred stock available-for-sale for the three months ended March 31, 2019 and 2018 and the amount of net realized investment gains (losses) on fixed maturity securities available-for-sale and equity securities for the three months ended March 31, 2019 and 2018 are summarized as follows:

	Three Months Ended March 31, (Unaudited)	
	2019	2018
Change in unrealized investment gains (losses):		
Available-for-sale securities:		
Fixed maturity securities	$ 5,077,355	$ (4,375,840)
Preferred stock	9,820	(3,780)
Net realized investment gains (losses):		
Available-for-sale securities:		
Fixed maturity securities	40,075	(1,170)
Equity securities, sale of securities	-	106
Equity securities, changes in fair value	13,645	(23,720)

2. Investments (continued)

Major categories of net investment income for the three months ended March 31, 2019 and 2018 are summarized as follows:

	Three Months Ended March 31, (Unaudited)	
	2019	2018
Fixed maturity securities	$ 1,529,476	$ 1,630,474
Preferred stock and equity securities	34,218	5,083
Other long-term investments	1,150,757	970,056
Mortgage loans	3,182,848	2,488,413
Policy loans	32,273	29,083
Real estate	64,296	94,003
Short-term and other investments	244,840	41,742
Gross investment income	6,238,708	5,258,854
Investment expenses	(665,252)	(574,612)
Net investment income	$ 5,573,456	$ 4,684,242

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, 2019 and December 31, 2018, these required deposits, included in investment assets, had amortized costs that totaled $4,382,763 and $4,376,463, respectively. As of March 31, 2019 and December 31, 2018, these required deposits had fair values that totaled $4,352,112 and $4,292,657, respectively.

The Company's mortgage loans by property type as of March 31, 2019 and December 31, 2018 are summarized as follows:

	(Unaudited) March 31, 2019	December 31, 2018
Residential mortgage loans	$ 132,867,267	$ 120,108,297
Commercial mortgage loans by property type		
Apartment	2,304,803	1,816,870
Industrial	1,146,212	1,156,157
Lodging	111,985	112,494
Office building	3,047,332	2,348,639
Retail	3,704,687	4,507,153
Total commercial mortgage loans by property type	10,315,019	9,941,313
Total mortgage loans	$ 143,182,286	$ 130,049,610

There were 15 loans with a remaining principal balance of $3,339,379 that were more than 90 days past due as of March 31, 2019. There were 11 loans with a remaining principal balance of $2,233,575 that were more than 90 days past due as of December 31, 2018.

There were no mortgage loans in default and in the foreclosure process as of March 31, 2019 and December 31, 2018.

2. Investments (continued)

The Company's investment real estate as of March 31, 2019 and December 31, 2018 is summarized as follows:

	(Unaudited) March 31, 2019	December 31, 2018
Land - held for the production of income	$ 213,160	$ 213,160
Land - held for investment	745,155	745,155
Total land	958,315	958,315
Building - held for the production of income	2,267,557	2,267,557
Less - accumulated depreciation	(1,377,043)	(1,340,671)
Buildings net of accumulated depreciation	890,514	926,886
Residential real estate - held for sale	606,048	506,830
Total residential real estate	606,048	506,830
Investment real estate, net of accumulated depreciation	$ 2,454,877	$ 2,392,031

TLIC owns approximately six and one-half acres of land located in Topeka, Kansas that includes a 20,000 square foot office building on approximately one-fourth of this land. This building and land on one of the four lots is held for the production of income. The other three lots of land owned in Topeka, Kansas are held for investment. In addition, FBLIC owns one-half acre of undeveloped land located in Jefferson City, Missouri.

During 2019, the Company foreclosed on one residential mortgage loans of real estate totaling $99,218 and transferred that property to investment real estate that is now 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, preferred stock 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 preferred stock and 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 agency, mortgage-backed debt securities, state and political subdivision securities, corporate debt securities, asset-backed and foreign debt securities.

3. Fair Value Measurements (continued)

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, 2019 and December 31, 2018 is summarized as follows:

	Level 1	Level 2	Level 3	Total
	March 31, 2019 (Unaudited)			
Fixed maturity securities, available-for-sale				
U.S. government and U.S. government agencies	$ -	$ 1,745,083	$ -	$ 1,745,083
States and political subdivisions	-	9,635,540	-	9,635,540
Residential mortgage-backed securities	-	48,293	-	48,293
Corporate bonds	-	104,708,406	-	104,708,406
Asset-backed		261,610		261,610
Foreign bonds	-	22,873,758	-	22,873,758
Total fixed maturity securities	$ -	$ 139,272,690	$ -	$ 139,272,690
Preferred stock, available-for-sale	$ 100,400	$ -	$ -	$ 100,400
Equity securities				
Mutual funds	$ -	$ 80,251	$ -	$ 80,251
Corporate common stock	68,026	-	67,996	136,022
Total equity securities	$ 68,026	$ 80,251	$ 67,996	$ 216,273
	December 31, 2018			
Fixed maturity securities, available-for-sale				
U.S. government and U.S. government agencies	$ -	$ 2,704,711	$ -	$ 2,704,711
States and political subdivisions	-	9,478,032	-	9,478,032
Residential mortgage-backed securities	-	51,155	-	51,155
Corporate bonds	-	97,964,191	-	97,964,191
Asset-backed	-	261,418	-	261,418
Foreign bonds	-	20,692,692	-	20,692,692
Total fixed maturity securities	$ -	$ 131,152,199	$ -	$ 131,152,199
Preferred stock, available-for-sale	$ 90,580	$ -	$ -	$ 90,580
Equity securities				
Mutual funds	$ -	$ 74,899	$ -	$ 74,899
Corporate common stock	59,733	-	64,036	123,769
Total equity securities	$ 59,733	$ 74,899	$ 64,036	$ 198,668

As of March 31, 2019 and December 31, 2018, Level 3 financial instruments consisted of two private placement common stocks that have no active trading and a joint venture investment with a mortgage loan originator.

These private placement common stocks represent investments in small insurance holding companies. The fair value for these securities was determined through the use of unobservable assumptions about market participants. The Company has assumed a willing market participant would purchase the securities for the same price as the Company paid until such time as these small insurance holding companies commence significant operations. The joint venture investment with a mortgage loan originator is accounted for under the equity method of accounting.

3. Fair Value Measurements (continued)

Fair values for Level 1 and Level 2 assets for the Company's fixed maturity and preferred stock 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, U.S. government agencies, state and political subdivisions, mortgage-backed securities, corporate bonds, asset-backed and foreign bonds.

The Company's preferred stock is included in Level 1 and 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 preferred stock and those 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 and preferred stock 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, 2019 and March 31, 2018 is summarized as follows:

	Unaudited	
	Three Months Ended March 31,	
	2019	2018
Beginning balance	$ 64,036	$ 61,500
Joint venture net income	27,784	-
Joint venture distribution	(23,824)	-
Ending balance	$ 67,996	$ 61,500

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, 2019 and December 31, 2018, and the level within the fair value hierarchy at which such assets and liabilities are measured on a recurring basis are summarized as follows:

Financial instruments disclosed, but not carried, at fair value:

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	March 31, 2019 (Unaudited)				
Financial assets					
Mortgage loans on real estate					
Commercial	$ 10,315,019	$ 10,043,300	$ -	$ -	$ 10,043,300
Residential	132,867,267	129,813,959	-	-	129,813,959
Policy loans	1,834,806	1,834,806	-	-	1,834,806
Short-term investments	1,810,524	1,810,524	1,810,524	-	-
Other long-term investments	63,185,895	76,037,111	-	-	76,037,111
Cash and cash equivalents	69,295,720	69,295,720	69,295,720	-	-
Accrued investment income	3,182,581	3,182,581	-	-	3,182,581
Total financial assets	$ 282,491,812	$ 292,018,001	$ 71,106,244	$ -	$ 220,911,757
Financial liabilities					
Policyholders' account balances	$ 333,310,416	$ 302,901,926	$ -	$ -	$ 302,901,926
Policy claims	1,449,529	1,449,529	-	-	1,449,529
Total financial liabilities	$ 334,759,945	$ 304,351,455	$ -	$ -	$ 304,351,455
	December 31, 2018				
Financial assets					
Mortgage loans on real estate					
Commercial	$ 9,941,313	$ 9,698,226	$ -	$ -	$ 9,698,226
Residential	120,108,297	115,788,967	-	-	115,788,967
Policy loans	1,809,339	1,809,339	-	-	1,809,339
Short-term investments	896,371	896,371	896,371	-	-
Other long-term investments	59,255,477	69,641,358	-	-	69,641,358
Cash and cash equivalents	29,665,605	29,665,605	29,665,605	-	-
Accrued investment income	2,672,978	2,672,978	-	-	2,672,978
Total financial assets	$ 224,349,380	$ 230,172,844	$ 30,561,976	$ -	$ 199,610,868
Financial liabilities					
Policyholders' account balances	$ 297,168,411	$ 259,247,412	$ -	$ -	$ 259,247,412
Policy claims	1,102,257	1,102,257	-	-	1,102,257
Total financial liabilities	$ 298,270,668	$ 260,349,669	$ -	$ -	$ 260,349,669

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 Securities, Preferred Stock 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 residential mortgage loans, the discount rate used was indexed to the LIBOR yield curve adjusted for an appropriate credit spread. For commercial (includes apartment, industrial, lodging, office building and retail) mortgage loans, the discount rate used was assumed to be the interest rate on the last commercial mortgage acquired by the Company.

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 and FBLIC, an annuity segment, consisting of the annuity operations of TLIC and FBLIC and a corporate segment. Results for the parent company and the operations of FTCC, after elimination of intercompany amounts, are allocated to the corporate segment. These segments as of March 31, 2019 and December 31, 2018 and for the three months ended March 31, 2019 and 2018 are summarized as follows:

	Three Months Ended March 31, (Unaudited)	
	2019	2018
Revenues:		
Life insurance operations	$ 6,471,048	$ 5,176,172
Annuity operations	4,970,032	3,878,137
Corporate operations	183,620	113,111
Total	$ 11,624,700	$ 9,167,420
Income before income taxes:		
Life insurance operations	$ 197,559	$ 171,519
Annuity operations	1,502,612	957,389
Corporate operations	101,921	82,539
Total	$ 1,802,092	$ 1,211,447
Depreciation and amortization expense:		
Life insurance operations	$ 830,461	$ 692,390
Annuity operations	59,164	270,506
Total	$ 889,625	$ 962,896

	(Unaudited) March 31, 2019	December 31, 2018
Assets:		
Life insurance operations	$ 74,435,037	$ 69,756,013
Annuity operations	443,558,892	357,797,728
Corporate operations	5,709,538	5,953,109
Total	$ 523,703,467	$ 433,506,850

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 2015 through 2018 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. Legal Matters and Contingent Liabilities

A lawsuit filed by the Company and Chairman, President and Chief Executive Officer, Gregg E. Zahn, against former Company Board of Directors member Wayne Pettigrew and Mr. Pettigrew's company, Group & Pension Planners, Inc. (the "Defendants"), concluded on February 17, 2017. The lawsuit was filed in the District Court of Tulsa County, Oklahoma (Case No. CJ-2013-03385). In the lawsuit, the Company alleged that Mr. Pettigrew had defamed the Company by making untrue statements to certain shareholders of the Company, to the press and to regulators of the state of Oklahoma and had breached his fiduciary duties.

The jury concluded that Mr. Pettigrew, while still a member of the Company's Board of Directors, did, in fact, make untrue statements regarding the Company and Mr. Zahn and committed breaches of his fiduciary duties to the Company and the jury awarded the Company $800,000 of damages against Mr. Pettigrew. In addition, the jury found that Mr. Pettigrew had defamed Mr. Zahn and intentionally inflicted emotional distress on Mr. Zahn and awarded Mr. Zahn $3,500,000 of damages against Mr. Pettigrew. In addition to the damages awarded by the jury, the Company and Mr. Zahn have initiated steps to aggressively communicate the correction of the untrue statements to outside parties.

Mr. Pettigrew has appealed this decision but has failed to post an appeal bond. As a consequence, the Company and Mr. Zahn are in the process of executing on the judgments against Mr. Pettigrew's assets. The Company and Mr. Zahn have so far collected some property and money in the execution process and will continue to execute on the judgments. Any money or property collected to date during the execution of the judgments are held in an escrow by a third party, have not been reflected in the March 31, 2019 consolidated financial statements and would have to be returned to Mr. Pettigrew in the event the judgments are reversed by the appellate courts.

Prior to being acquired by TLIC, FBLIC developed, marketed, and sold life insurance products known as "Decreasing Term to 95" policies. On January 17, 2013, FBLIC's Board of Directors voted that, effective March 1, 2013, it was not approving, and therefore was not providing, a non-guaranteed dividend for the Decreasing Term to 95 policies since that group of policies was not producing a positive divisible surplus to allow the payment of a non-guaranteed dividend.

On November 22, 2013, a lawsuit was filed in the Circuit Court of Greene County, Missouri asserting claims by two individuals and a class of Missouri residents against FBLIC relating to this decision to not pay a non-guaranteed dividend. A trial was held November 27, 2017 through December 1, 2017 regarding those class and individual claims. During 2018, a settlement was reached by the parties and the Court approved the settlement agreement on June 11, 2018. FBLIC paid $1.85 million to resolve all class and individual claims and all active Decreasing Term to 95 policies for individuals in the class were cancelled.

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 Income (Loss)

The changes in the components of the Company's accumulated other comprehensive income (loss) for the three months ended March 31, 2019 and 2018 are summarized as follows:

	Three Months Ended March 31, 2019 and 2018 (Unaudited)		
	Unrealized Appreciation (Depreciation) on Available-For-Sale Securities	Adjustment to Deferred Acquisition Costs	Accumulated Other Comprehensive Income (Loss)
Balance as of January 1, 2019	$ (2,584,643)	$ 8,012	$ (2,576,631)
Other comprehensive income before reclassifications, net of tax	4,050,528	(9,874)	4,040,654
Less amounts reclassified from accumulated other comprehensive income having no credit losses, net of tax	31,660	-	31,660
Other comprehensive income	4,018,868	(9,874)	4,008,994
Balance as of March 31, 2019	$ 1,434,225	$ (1,862)	$ 1,432,363
Balance as of January 1, 2018	$ 4,843,061	$ (82,110)	$ 4,760,951
Other comprehensive loss before reclassifications, net of tax	(3,514,945)	59,795	(3,455,150)
Less amounts reclassified from accumulated other comprehensive loss having no credit losses, net of tax	(924)	-	(924)
Other comprehensive loss	(3,514,021)	59,795	(3,454,226)
Balance as of March 31, 2018	$ 1,329,040	$ (22,315)	$ 1,306,725

The pretax components of the Company's other comprehensive income (loss) and the related income tax expense for each component for the three months ended March 31, 2019 and 2018 are summarized as follows:

	Pretax	Income Tax Expense	Net of Tax
	Three Months Ended March 31, 2019 (Unaudited)		
Other comprehensive income:			
Change in net unrealized gains on available-for-sale securities:			
Unrealized holding gains arising during the period	$ 5,127,250	$ 1,076,722	$ 4,050,528
Reclassification adjustment for net losses included in operations having no credit losses	40,075	8,415	31,660
Net unrealized gains on investments	5,087,175	1,068,307	4,018,868
Adjustment to deferred acquisition costs	(12,497)	(2,623)	(9,874)
Total other comprehensive income	$ 5,074,678	$ 1,065,684	$ 4,008,994
	Three Months Ended March 31, 2018 (Unaudited)		
Other comprehensive loss:			
Change in net unrealized losses on available-for-sale securities:			
Unrealized holding losses arising during the period	$ (4,449,298)	$ (934,353)	$ (3,514,945)
Reclassification adjustment for net losses included in operations having no credit losses	(1,170)	(246)	(924)
Net unrealized losses on investments	(4,448,128)	(934,107)	(3,514,021)
Adjustment to deferred acquisition costs	75,690	15,895	59,795
Total other comprehensive loss	$ (4,372,438)	$ (918,212)	$ (3,454,226)

7. Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (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 income (loss) to the Company's consolidated statement of operations for the three months ended March 31, 2019 and 2018 are summarized as follows:

	Three Months Ended March 31, (Unaudited)	
Reclassification Adjustments	2019	2018
Unrealized gains (losses) on available-for-sale securities having no credit losses:		
Realized gains (losses) on sales of securities (a)	$ 40,075	$ (1,170)
Income tax expense (benefit) (b)	8,415	(246)
Total reclassification adjustments	$ 31,660	$ (924)

(a) These items appear within net realized investment gains (losses) 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

The allowance for possible loan losses from investments in mortgage loans on real estate is a reserve established through a provision for possible loan losses charged to expense which represents, in the Company's judgment, the known and inherent credit losses existing in the mortgage loan portfolio. The allowance, in the judgment of the Company, is necessary to reserve for estimated loan losses inherent in the mortgage loan portfolio and reduces the carrying value of investments in mortgage loans on real estate to the estimated net realizable value on the consolidated statement of financial position.

While the Company utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the mortgage loan portfolio, the economy and changes in interest rates. The Company's 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.

Mortgage loans are considered 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. Factors considered by the Company 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 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. Impairment is measured on a loan-by-loan basis.

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

As of March 31, 2019, $825,244 of independent residential mortgage loans on real estate are held in escrow by a third party for the benefit of the Company. As of March 31, 2019, $569,604 of that escrow amount is available to the Company as additional collateral on $5,713,102 of advances to the loan originator. The remaining March 31, 2019 escrow amount of $255,640 is available to the Company as additional collateral on its investment of $51,127,965 in residential mortgage loans on real estate. In addition, the Company has an additional $457,383 allowance for possible loan losses in the remaining $92,054,321 of investments in mortgage loans on real estate as of March 31, 2019.

As of December 31, 2018, $823,645 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, 2018, $598,803 of that escrow amount is available to the Company as additional collateral on $4,942,870 of advances to the loan originator. The remaining December 31, 2018 escrow amount of $224,842 is available to the Company as additional collateral on its investment of $44,968,471 in residential mortgage loans on real estate. In addition, the Company has an additional $424,166 allowance for possible loan losses in the remaining $85,081,139 of investments in mortgage loans on real estate as of December 31, 2018.

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, 2019 and 2018 are summarized as follows (excluding $51,127,965 and $35,129,998 of mortgage loans on real estate as of March 31, 2019 and 2018, 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	
	2019	2018	2019	2018	2019	2018
Allowance, beginning	$ 374,209	$ 333,789	$ 49,957	$ 9,026	$ 424,166	$ 342,815
Charge offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Provision	31,339	36,982	1,878	4,221	33,217	41,203
Allowance, ending	$ 405,548	$ 370,771	$ 51,835	$ 13,247	$ 457,383	$ 384,018
Allowance, ending:						
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	$ 405,548	$ 370,771	$ 51,835	$ 13,247	$ 457,383	$ 384,018
Carrying Values:						
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	$ 81,739,302	$ 74,146,027	$ 10,315,019	$ 2,636,173	$ 92,054,321	$ 76,782,200

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

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, 2019 and December 31, 2018 are summarized as follows:

	Residential Mortgage Loans		Commercial Mortgage Loans		Total Mortgage Loans	
	(Unaudited)		(Unaudited)		(Unaudited)	
Loan-To-Value Ratio	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Over 70% to 80%	$ 31,099,467	$ 23,205,637	$ 278,688	$ 280,020	$ 31,378,155	$ 23,485,657
Over 60% to 70%	47,817,237	43,631,465	1,693,632	2,216,436	49,510,869	45,847,901
Over 50% to 60%	26,639,540	24,890,831	1,672,687	752,181	28,312,227	25,643,012
Over 40% to 50%	14,988,637	16,055,231	2,151,478	1,670,263	17,140,115	17,725,494
Over 30% to 40%	6,068,811	5,984,097	3,132,176	3,341,616	9,200,987	9,325,713
Over 20% to 30%	2,835,783	3,249,410	1,147,885	1,429,085	3,983,668	4,678,495
Over 10% to 20%	2,423,121	2,233,102	238,473	251,712	2,661,594	2,484,814
10% or less	994,671	858,524	-	-	994,671	858,524
Total	$ 132,867,267	$ 120,108,297	$ 10,315,019	$ 9,941,313	$ 143,182,286	$ 130,049,610

9. Coinsurance

Effective January 1, 2018, TLIC entered into an annuity coinsurance agreement with an offshore annuity and life insurance company whereby 90% of TLIC's annuity considerations originated after December 31, 2017 were ceded to the assuming company. The assuming company contractually reimburses TLIC for the related commissions, withdrawals, settlements, interest credited, submission costs, maintenance costs, marketing costs, excise taxes and other costs plus a placement fee.

In accordance with this annuity coinsurance agreement, 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 with a corresponding funds withheld liability recorded. In addition, the assuming company maintains a trust related to this ceded business amounting to at least an additional 4% of assets above the required 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.

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 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.

Our profitability in the life insurance and annuity segments is a function of our ability to accurately price the policies that we write, adequately value life insurance business acquired, administer life insurance company acquisitions at an expense level that validates the acquisition cost and invest the premiums and annuity considerations in assets that earn investment income with a positive spread.

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, 2018. The Company considers its most critical accounting estimates to be those applied to investments in fixed maturity, 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, 2018.

Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued updated guidance (Accounting Standards Update 2018-11) to require lessees to recognize a right-of-use asset and a lease liability for leases with terms of more than 12 months. The updated guidance retains the two classifications of a lease as either an operating or finance lease (previously referred to as a capital lease). Both lease classifications require the lessee to record the right-of-use asset and the lease liability based upon the present value of cash flows. Finance leases will reflect the financial arrangement by recognizing interest expense on the lease liability separately from the amortization expense of the right-of-use asset. Operating leases will recognize lease expense (with no separate recognition of interest expense) on a straight-line basis over the term of the lease. The accounting by lessors is not significantly changed by the updated guidance. The updated guidance requires expanded qualitative and quantitative disclosures, including additional information about the amounts recorded in the financial statements.

In July 2018, the FASB amended the updated guidance on leases that was issued in February 2016 (Accounting Standards Update 2018-11) and provided an additional transition method with which to adopt the updated guidance. Under the additional transition method, entities may elect to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the year of adoption. Consequently, if this transition method is elected, an entity's reporting for the comparative periods prior to adoption presented in the financial statements would continue to be in accordance with current lease guidance. The amendments also provide lessors with a practical expedient to combine non-lease components (e.g., a fee for common area maintenance when leasing office space) with the associated lease component rather than accounting for those components separately if certain criteria are met. The updated guidance requires entities to recognize a right-of-use asset and lease liability equal to the present value of lease payments for all leases other than those that are less than one year. The updated guidance, as amended, is effective for reporting periods beginning after December 15, 2018.

In December 2018, the FASB issued additional guidance (Accounting Standards Update 2018-20) that permits an accounting policy election for lessors to not evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. A lessor making this election will exclude from the consideration in the contract and from variable payments not included in the consideration of the contract all collections from lessees of certain sales taxes and other similar taxes and to provide certain disclosures.

The Company adopted this guidance in first quarter 2019. The adoption of this guidance in 2019 did not have a material effect on the Company's results of operations, financial position or liquidity.

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 applies 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 requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses should consider 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, will be 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 amends the current other-than-temporary impairment model for available-for-sale debt securities by requiring 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 updated guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted for reporting periods beginning after December 15, 2018. Based on the financial instruments currently held by the Company, there would not be a material effect on the Company's results of operations, financial position or liquidity if the new guidance were able to be adopted in the current accounting period. The impact on the Company's results of operations, financial position or liquidity at the date of adoption of the updated guidance will be determined by the financial instruments held by the Company and the economic conditions at that time.

Intangibles - Goodwill and Other

In January 2017, the FASB issued updated guidance (Accounting Standards Update 2017-04) that eliminates the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of the current goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge by comparing a reporting unit's fair value with its carrying amount and recognizing an impairment charge for the excess of the carrying amount over estimated fair value (i.e., Step 1 of current guidance). The implied fair value of goodwill is currently determined in Step 2 by deducting the fair value of all assets and liabilities of the reporting unit (determined in the same manner as a business combination) from the reporting unit's fair value as determined in Step 1 (including any corporate-level assets or liabilities that were included in the determination of the carrying amount and fair value of the reporting unit in Step 1). The updated guidance requires an entity to perform its annual, or interim, impairment test by either: (1) an initial qualitative assessment of factors (such as changes in management, key personnel, strategy, key technology or customers) that may impact a reporting unit's fair value and lead to the determination that it is more likely than not that the reporting unit's fair value is less than its carrying value, including goodwill (consistent with current guidance), or (2) applying Step 1.

The updated guidance is effective for reporting periods beginning after December 15, 2019 and is to be applied prospectively. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

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 is effective for reporting periods beginning after December 15, 2020. Early adoption is permitted. 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 2021 will be determined by the long-duration contracts then held by the Company and the economic conditions at that time.

Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the FASB issued amendments (Accounting Standards Update 2018-13) to modify the disclosure requirements related to fair value measurements including the consideration of costs and benefits of producing the modified disclosures. The updated guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted and an entity is permitted to early adopt any removed or modified disclosures upon issuance and delay adoption of the additional disclosures until their effective date. The adoption of this guidance in 2020 is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

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 and FBLIC;
- Annuity operations, consisting of the annuity operations of TLIC and FBLIC and
- Corporate operations, which includes the results of the parent company and FTCC after the elimination of intercompany amounts.

Please see below and Note 4 to the Consolidated Financial Statements for the three months ended March 31, 2019 and 2018 and as of March 31, 2019 and December 31, 2018 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, 2019 and 2018

	(Unaudited) Three Months Ended March 31, 2019	(Unaudited) Three Months Ended March 31, 2018	Amount Change 2019 less 2018
Premiums	$ 5,530,806	$ 4,486,735	$ 1,044,071
Net investment income	5,573,456	4,684,242	889,214
Net realized investment gains (losses)	53,720	(24,784)	78,504
Service fees	427,734	3,400	424,334
Other income	38,984	17,827	21,157
Total revenues	11,624,700	9,167,420	2,457,280
Benefits and claims	6,754,128	5,604,332	1,149,796
Expenses	3,068,480	2,351,641	716,839
Total benefits, claims and expenses	9,822,608	7,955,973	1,866,635
Income before federal income tax expense	1,802,092	1,211,447	590,645
Federal income tax expense	379,896	271,066	108,830
Net income	$ 1,422,196	$ 940,381	$ 481,815
Net income per common share basic and diluted	$ 0.18	$ 0.12	$ 0.06

Consolidated Condensed Financial Position as of March 31, 2019 and December 31, 2018

	(Unaudited) March 31, 2019	December 31, 2018	Amount Change 2019 to 2018
Investment assets	$ 352,057,751	$ 325,844,275	$ 26,213,476
Other assets	171,645,716	107,662,575	63,983,141
Total assets	$ 523,703,467	$ 433,506,850	$ 90,196,617
Policy liabilities	$ 393,214,368	$ 354,604,734	$ 38,609,634
Funds withheld under coinsurance agreement	57,673,090	29,285,119	28,387,971
Deferred federal income taxes	3,516,056	2,373,478	1,142,578
Other liabilities	24,743,512	8,118,268	16,625,244
Total liabilities	479,147,026	394,381,599	84,765,427
Shareholders' equity	44,556,441	39,125,251	5,431,190
Total liabilities and shareholders' equity	$ 523,703,467	$ 433,506,850	$ 90,196,617
Shareholders' equity per common share	$ 5.71	$ 5.01	$ 0.70

Results of Operations – Three Months Ended March 31, 2019 and 2018

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 and losses on investment holdings can significantly impact revenues from period to period.

Our revenues for the three months ended March 31, 2019 and 2018 are summarized as follows:

	(Unaudited) Three Months Ended March 31,		Amount Change
	2019	2018	2019 less 2018
Premiums	$ 5,530,806	$ 4,486,735	$ 1,044,071
Net investment income	5,573,456	4,684,242	889,214
Net realized investment gains (losses)	53,720	(24,784)	78,504
Service fees	427,734	3,400	424,334
Other income	38,984	17,827	21,157
Total revenues	$ 11,624,700	$ 9,167,420	$ 2,457,280

The $2,457,280 increase in total revenues for the three months ended March 31, 2019 is discussed below.

Premiums

Our premiums for the three months ended March 31, 2019 and 2018 are summarized as follows:

	(Unaudited)		
	Three Months Ended March 31,		Amount Change
	2019	2018	2019 less 2018
Ordinary life first year	$ 344,885	$ 50,854	$ 294,031
Ordinary life renewal	575,496	574,364	1,132
Final expense first year	1,164,306	1,148,028	16,278
Final expense renewal	3,318,628	2,627,279	691,349
Supplementary contracts with life contingencies	127,491	86,210	41,281
Total premiums	$ 5,530,806	$ 4,486,735	$ 1,044,071

The $1,044,071 increase in premiums for the three months ended March 31, 2019 is primarily due to a $691,349 increase in final expense renewal premiums and a $294,031 increase in ordinary life first year premiums.

The increase in final expense renewal premiums reflects the persistency of prior years' final expense production. The increase in ordinary life first year premiums primarily reflects ordinary life insurance policies sold in the international market that the Company started assuming in fourth quarter 2018.

The increase in supplementary contracts with life contingencies reflects policyholder decisions to receive future payment streams during their remaining lifetime instead of a lump sum payment.

Net Investment Income

The major components of our net investment income for the three months ended March 31, 2019 and 2018 are summarized as follows:

	(Unaudited)		
	Three Months Ended March 31,		Amount Change
	2019	2018	2019 less 2018
Fixed maturity securities	$ 1,529,476	$ 1,630,474	$ (100,998)
Preferred stock and equity securities	34,218	5,083	29,135
Other long-term investments	1,150,757	970,056	180,701
Mortgage loans	3,182,848	2,488,413	694,435
Policy loans	32,273	29,083	3,190
Real estate	64,296	94,003	(29,707)
Short-term and other investments	244,840	41,742	203,098
Gross investment income	6,238,708	5,258,854	979,854
Investment expenses	(665,252)	(574,612)	90,640
Net investment income	$ 5,573,456	$ 4,684,242	$ 889,214

The $979,854 increase in gross investment income for the three months ended March 31, 2019 is primarily due to the increase in investments in mortgage loans, short-term and other investments and other long-term investments that exceeded a decrease in investment income from fixed matured securities. In the twelve months since March 31, 2018, we had increased investments in mortgage loans of $31.3 million and other long term investments of $4.4 million. The increase in short-term and other investments is due to the increase in cash and cash equivalents and higher interest rates offered by the banking institutions. The decline in income from fixed maturity securities can be attributed to the decrease in investments of $10.2 million over the twelve months since March 31, 2018.

Net Realized Investment Gains (Losses)

Our net realized investment gains (losses) result from sales of fixed maturity available-for-sale, equity securities sold and changes in fair value of equity securities.

Our net realized investment gains (losses) for the three months ended March 31, 2019 and 2018 are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2019	(Unaudited) Three Months Ended March 31, 2018	Amount Change 2019 less 2018
Fixed maturity securities available-for-sale:			
Sale proceeds / maturities	$ 3,399,846	$ 2,579,791	$ 820,055
Amortized cost at sale date	3,359,771	2,580,961	778,810
Net realized gains (losses)	$ 40,075	$ (1,170)	$ 41,245
Equity securities sold:			
Sale proceeds	$ -	$ 412	$ (412)
Cost at sale date	-	306	(306)
Net realized gains	$ -	$ 106	$ (106)
Equity securities, changes in fair value	$ 13,645	$ (23,720)	$ 37,365
Net realized investment gains (losses)	$ 53,720	$ (24,784)	$ 78,504

Service Fees

The $424,334 increase in service fees for the three months ended March 31, 2019 is primarily due to ceding fees related to the TLIC’s annuity coinsurance agreement with an offshore annuity and life insurance company.

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, 2019 and 2018 are summarized as follows:

	(Unaudited) Three Months Ended March 31,		Amount Change
	2019	2018	2019 less 2018
Benefits and claims			
Increase in future policy benefits	$ 2,151,600	$ 1,439,591	$ 712,009
Death benefits	1,632,780	1,562,056	70,724
Surrenders	350,407	227,669	122,738
Interest credited to policyholders	2,550,672	2,307,331	243,341
Dividend, endowment and supplementary life contract benefits	68,669	67,685	984
Total benefits and claims	6,754,128	5,604,332	1,149,796
Expenses			
Policy acquisition costs deferred	(3,615,460)	(2,308,033)	(1,307,427)
Amortization of deferred policy acquisition costs	764,346	823,548	(59,202)
Amortization of value of insurance business acquired	81,447	89,611	(8,164)
Commissions	3,572,572	2,103,122	1,469,450
Other underwriting, insurance and acquisition expenses	2,265,575	1,643,393	622,182
Total expenses	3,068,480	2,351,641	716,839
Total benefits, claims and expenses	$ 9,822,608	$ 7,955,973	$ 1,866,635

The $1,866,635 increase in total benefits, claims and expenses for the three months ended March 31, 2019 is discussed below.

Benefits and Claims

The $1,149,796 increase in benefits and claims for the three months ended March 31, 2019 is primarily due to the following:

- $712,009 increase in future policy benefits is primarily due to the increased number of life policies in force and the aging of existing life policies.

- $243,341 increase in interest credited to policyholders is primarily due to an increase of approximately $37.8 million in the amount of policyholders' account balances in the consolidated statement of financial position (increased deposits and interest credited in excess of withdrawals) since March 31, 2018.

- $122,738 increase in surrenders primarily corresponding to lapsation decisions of ordinary life policyholders.

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, 2019 and 2018, capitalized costs were $3,615,460 and $2,308,033, respectively. Amortization of deferred policy acquisition costs for the three months ended March 31, 2019 and 2018 were $764,346 and $823,548, respectively.

The $1,307,427 increase in the 2019 acquisition costs deferred primarily relates to increased annuity production and deferral of increased eligible annuity commissions. There was a $59,202 decrease in the 2019 amortization of deferred acquisition costs.

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 $81,447 and $89,611 for the three months ended March 31, 2019 and 2018, respectively.

Commissions

Our commissions for the three months ended March, 2019 and 2018 are summarized as follows:

	(Unaudited)		
	Three Months Ended March 31,		Amount Change
	2019	2018	2019 less 2018
Annuity	$ 1,466,822	$ 406,931	$ 1,059,891
Ordinary life first year	378,455	47,659	330,796
Ordinary life renewal	13,368	17,698	(4,330)
Final expense first year	1,387,243	1,374,440	12,803
Final expense renewal	326,684	256,394	70,290
Total commissions	$ 3,572,572	$ 2,103,122	$ 1,469,450

The $1,469,450 increase in commissions for the three months ended March 31, 2019 is primarily due to a $1,059,891 (due to a $35,002,420 increase in retained annuity deposits) increase in annuity commissions, $330,796 (due to $294,031 increase in ordinary life first year premiums) increase in ordinary life first year commissions and a $70,290 (due to $691,349 increase in final expense renewal premiums) increase in final expense renewal commissions.

Other Underwriting, Insurance and Acquisition Expenses

The $622,182 increase in other underwriting, insurance and acquisition expenses for the three months ended March 31, 2019 was primarily related to increased 2019 expenses for the international business initiative, increased salaries and benefits due to increased salary and bonus levels and increased third party administration fees primarily related to the increased number of policies in force and increased service requests.

Federal Income Taxes

FTFC filed its 2017 consolidated federal income tax return with TLIC, FBLIC and FTCC since by 2017 all companies had been members of a consolidated group for five years. Prior to 2017, FTFC filed consolidated federal income tax returns with FTCC and from 2012 to 2016 TLIC and FBLIC filed separate consolidated federal income tax returns as a life insurance company.

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, 2019, current income tax expense was $303,002. For the three months ended March 31, 2019 and 2018, deferred federal income tax expense was $76,894 and $271,066, respectively.

Net Income Per Common Share Basic and Diluted

Net income was $1,422,196 ($0.18 per common share basic and diluted) and $940,381 ($0.12 per common share basic and diluted) for the three months ended March 31, 2019 and 2018, respectively. Net income per common share basic and diluted is calculated using the weighted average number of common shares outstanding during the year. The weighted average outstanding common shares basic and diluted for the three months ended March 31, 2019 and 2018 were 7,802,593.

Business Segments

The Company has a life insurance segment, consisting of the life insurance operations of TLIC and FBLIC, an annuity segment, consisting of the annuity operations of TLIC and FBLIC and a corporate segment. Results for the parent company and the operations of FTCC, 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, 2019 and 2018 are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2019	(Unaudited) Three Months Ended March 31, 2018	Amount Change 2019 less 2018
Revenues:			
Life insurance operations	$ 6,471,048	$ 5,176,172	$ 1,294,876
Annuity operations	4,970,032	3,878,137	1,091,895
Corporate operations	183,620	113,111	70,509
Total	$ 11,624,700	$ 9,167,420	$ 2,457,280
Income before federal income taxes:			
Life insurance operations	$ 197,559	$ 171,519	$ 26,040
Annuity operations	1,502,612	957,389	545,223
Corporate operations	101,921	82,539	19,382
Total	$ 1,802,092	$ 1,211,447	$ 590,645

Life Insurance Operations

The $1,294,876 increase in revenues from Life Insurance Operations for the three months ended March 31, 2019 is primarily due to the following:

- $1,044,071 increase in premiums
- $216,656 increase in net investment income
- $21,015 increase in other income
- $13,134 increase in net realized investment gains

The $26,040 increased profitability from Life Insurance Operations for the three months ended March 31, 2019 is primarily due to the following:

- $1,044,071 increase in premiums
- $309,803 increase in policy acquisition costs deferred net of amortization
- $216,656 increase in net investment income
- $21,015 increase in other income
- $13,134 increase in net realized investment gains
- $4,082 decrease in amortization of value of insurance business acquired
- $984 increase in dividend, endowment and supplementary life contract benefits
- $70,724 increase in death benefits
- $122,738 increase in surrenders
- $266,707 increase in other underwriting, insurance and acquisition expenses
- $409,559 increase in commissions
- $712,009 increase in future policy benefits

Annuity Operations

The $1,091,895 increase in revenues from Annuity Operations for the three months ended March 31, 2019 is due to the following:

- $598,790 increase in net investment income
- $427,735 increase in other income
- $65,370 increase in net realized investment gains

The $545,223 increased profitability from Annuity Operations for the three months ended March 31, 2019 is due to the following:

- $1,056,826 increase in policy acquisition costs deferred net of amortization
- $598,790 increase in net investment income
- $427,735 increase in other income
- $65,370 increase in net realized investment gains
- $4,082 decrease in amortization of value of insurance business acquired
- $243,341 increase in interest credited to policyholders
- $304,348 increase in other underwriting, insurance and acquisition expenses
- $1,059,891 increase in commissions

Corporate Operations

The $70,509 increase in revenues from Corporate Operations for the three months ended March 31, 2019 is due to $73,768 of increased net investment income that exceeded $3,259 of decreased other income from service fees.

The $19,382 increase in Corporate Operations profitability for the three months ended March 31, 2019 is primarily due to $73,768 of increased net investment income that exceeded $51,127 of increased operating expenses and $3,259 of decreased other income from service fees.

Consolidated Financial Condition

Our invested assets as of March 31, 2019 and December 31, 2018 are summarized as follows:

	(Unaudited) March 31, 2019	December 31, 2018	Amount Change 2019 less 2018
Assets			
Investments			
Available-for-sale fixed maturity securities at fair value (amortized cost: $137,457,653 and $134,414,517 as of March 31, 2019 and December 31, 2018, respectively)	$ 139,272,690	$ 131,152,199	$ 8,120,491
Available-for-sale preferred stock at fair value (cost: $99,945 as of March 31, 2019 and December 31, 2018)	100,400	90,580	9,820
Equity securities at fair value (cost: $191,082 and $187,122 as of March 31, 2019 and December 31, 2018, respectively)	216,273	198,668	17,605
Mortgage loans on real estate	143,182,286	130,049,610	13,132,676
Investment real estate	2,454,877	2,392,031	62,846
Policy loans	1,834,806	1,809,339	25,467
Short-term investments	1,810,524	896,371	914,153
Other long-term investments	63,185,895	59,255,477	3,930,418
Total investments	$ 352,057,751	$ 325,844,275	$ 26,213,476

The $8,120,491 increase and $238,768 decrease in fixed maturity available-for-sale securities for the three months ended March 31, 2019 and 2018, respectively, are summarized as follows:

	(Unaudited) Three Months Ended March 31,	
	2019 Amount	2018 Amount
Fixed maturity securities, available-for-sale, beginning	$ 131,152,199	$ 149,683,139
Purchases	6,536,434	6,885,843
Unrealized appreciation (depreciation)	5,077,355	(4,375,840)
Net realized investment gains (losses)	40,075	(1,170)
Sales proceeds	(799,846)	(629,791)
Maturities	(2,600,000)	(1,950,000)
Premium amortization	(133,527)	(167,810)
Increase (decrease)	8,120,491	(238,768)
Fixed maturity securities, available-for-sale, ending	$ 139,272,690	$ 149,444,371

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 Income." The available-for-sale fixed maturity securities portfolio is invested primarily in a variety of companies, U. S. government and government agencies, states and political subdivisions and foreign securities.

The $9,820 increase and $3,780 decrease in preferred stock available-for-sale for the three months ended March 31, 2019 and 2018, respectively, are summarized as follows:

	(Unaudited) Three Months Ended March 31,	
	2019 Amount	2018 Amount
Preferred stock, available-for-sale, beginning	$ 90,580	$ 100,720
Unrealized appreciation (depreciation)	9,820	(3,780)
Increase (decrease)	9,820	(3,780)
Preferred stock, available-for-sale, ending	$ 100,400	$ 96,940

Preferred stock available-for-sale are also 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 Income."

The $17,605 increase and $23,058 decrease in equity securities for the three months ended March 31, 2019 and 2018, respectively, are summarized as follows:

	(Unaudited) Three Months Ended March 31,	
	2019	2018
	Amount	Amount
Equity securities, beginning	$ 198,668	$ 571,427
Purchases	27,784	968
Sales proceeds	-	(412)
Joint venture distributions	(23,824)	-
Net realized investment gains sale of securities	-	106
Net realized investment gains (losses), changes in fair value	13,645	(23,720)
Increase (decrease)	17,605	(23,058)
Equity securities, ending	$ 216,273	$ 548,369

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 $13,132,676 and $9,415,747 increases in mortgage loans on real estate for the three months ended March 31, 2019 and 2018, respectively, are summarized as follows:

	(Unaudited) Three Months Ended March 31,	
	2019	2018
	Amount	Amount
Mortgage loans on real estate, beginning	$ 130,049,610	$ 102,496,451
Purchases	21,818,443	16,247,647
Discount accretion	149,110	33,437
Payments	(8,694,982)	(6,810,769)
Foreclosed - transferred to real estate	(99,218)	-
Increase in allowance for bad debts	(33,217)	(41,203)
Amortization of loan origination fees	(7,460)	(13,365)
Increase	13,132,676	9,415,747
Mortgage loans on real estate, ending	$ 143,182,286	$ 111,912,198

The $62,846 increase and $36,372 decrease in investment real estate for the three months ended March 31, 2019 and 2018, respectively, are summarized as follows:

	(Unaudited) Three Months Ended March 31,	
	2019	2018
	Amount	Amount
Investment real estate, beginning	$ 2,392,031	$ 2,382,966
Real estate acquired through mortgage loan foreclosure	99,218	-
Depreciation of building	(36,372)	(36,372)
Increase (decrease)	62,846	(36,372)
Investment real estate, ending	$ 2,454,877	$ 2,346,594

The $3,930,418 and $2,997,428 increases in other long-term investments (composed of lottery receivables) for the three months ended March 31, 2019 and 2018, respectively, are summarized as follows:

	(Unaudited) Three Months Ended March 31,	
	2019	2018
	Amount	Amount
Other long-term investments, beginning	$ 59,255,477	$ 55,814,583
Purchases	5,629,292	4,737,503
Accretion of discount	1,151,586	971,593
Payments	(2,850,460)	(2,711,668)
Increase	3,930,418	2,997,428
Other long-term investments, ending	$ 63,185,895	$ 58,812,011

Our assets other than invested assets as of March 31, 2019 and December 31, 2018 are summarized as follows:

	(Unaudited) March 31, 2019	December 31, 2018	Amount Change 2019 less 2018
Cash and cash equivalents	$ 69,295,720	$ 29,665,605	$ 39,630,115
Accrued investment income	3,182,581	2,672,978	509,603
Recoverable from reinsurers	2,472,167	2,323,157	149,010
Assets held in trust under coinsurance agreement	45,209,891	25,494,700	19,715,191
Agents' balances and due premiums	1,521,746	1,418,916	102,830
Deferred policy acquisition costs	32,520,354	29,681,737	2,838,617
Value of insurance business acquired	5,104,423	5,185,870	(81,447)
Other assets	12,338,834	11,219,612	1,119,222
Assets other than investment assets	$ 171,645,716	$ 107,662,575	$ 63,983,141

The $39,630,115 increase in cash and cash equivalents is discussed below in the “Liquidity and Capital Resources” section where cash flows are addressed.

The $19,715,191 increase in assets held in trust under the coinsurance agreement is due to assets acquired under TLIC’s annuity coinsurance agreement with an offshore annuity and life insurance company that is administered on a fund withheld basis.

The $2,838,617 and $1,560,175 increases in deferred policy acquisition costs for the three months ended March 31, 2019 and 2018, respectively, are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2019	2018
Balance, beginning of year	$ 29,681,737	$ 24,555,902
Capitalization of commissions, sales and issue expenses	3,615,460	2,308,033
Amortization	(764,346)	(823,548)
Deferred acquisition costs allocated to investments	(12,497)	75,690
Increase	2,838,617	1,560,175
Balance, end of year	$ 32,520,354	$ 26,116,077

Our other assets as of March 31, 2019 and December 31, 2018 are summarized as follows:

	(Unaudited) March 31, 2019	December 31, 2018	Amount Change 2019 less 2018
Advances to mortgage loan originator	$ 5,713,102	$ 4,942,870	$ 770,232
Federal and state income taxes recoverable	4,907,953	4,492,793	415,160
Notes receivable	446,715	446,978	(263)
Accrual of mortgage loan and long-term investment payments due	844,650	1,045,634	(200,984)
Receivable for securities sold	-	33,600	(33,600)
Guaranty funds	65,880	69,740	(3,860)
Lease asset - right to use	153,422	-	153,422
Other receivables, prepaid assets and deposits	207,112	187,997	19,115
Total other assets	$ 12,338,834	$ 11,219,612	$ 1,119,222

There was a $770,232 increase in advances to one mortgage loan originator who acquires residential mortgage loans for our life companies.

There was a $415,160 increase in federal and state income taxes recoverable primarily due to federal and state tax withholdings on lottery receivables.

The Company reported a lease asset of $153,422 as of March 31, 2019, in accordance with the lease guidance adopted in 2019.

There was a $200,984 decrease in the accrual of mortgage loans and long-term investment payments due based upon the scheduled timing of investment payments remitted by the third party servicers. Those cash payments were received in April 2019.

On April 15, 2019, the Company renewed its previous one-year loan of $400,000 to its former Chairman. The renewed loan has a term of one year and a contractual interest rate of 5.00%. The loan is collateralized by 100,000 shares of the Company’s Class A Common stock owned by the former Chairman.

Our liabilities as of March 31, 2019 and December 31, 2018 are summarized as follows:

	(Unaudited) March 31, 2019	December 31, 2018	Amount Change 2019 less 2018
Policy liabilities			
Policyholders' account balances	$ 333,310,416	$ 297,168,411	$ 36,142,005
Future policy benefits	58,376,526	56,261,507	2,115,019
Policy claims	1,449,529	1,102,257	347,272
Other policy liabilities	77,897	72,559	5,338
Total policy liabilities	393,214,368	354,604,734	38,609,634
Funds withheld under coinsurance agreement	57,673,090	29,285,119	28,387,971
Deferred federal income taxes	3,516,056	2,373,478	1,142,578
Other liabilities	24,743,512	8,118,268	16,625,244
Total liabilities	$ 479,147,026	$ 394,381,599	$ 84,765,427

The $36,142,005 and $2,580,220 increases in policyholders' account balances for the three months ended March 31, 2019 and 2018, respectively, are summarized as follows:

	(Unaudited) Three Months Ended March 31, 2019 Amount	2018 Amount
Policyholders' account balances, beginning	$ 297,168,411	$ 292,909,762
Deposits	70,719,584	7,433,520
Withdrawals	(8,740,280)	(7,160,631)
Change in funds withheld under coinsurance agreement	(28,387,971)	-
Interest credited	2,550,672	2,307,331
Increase	36,142,005	2,580,220
Policyholders' account balances, ending	$ 333,310,416	$ 295,489,982

The $2,115,019 increase in future policy benefits during the three months ended March 31, 2019 is primarily related to the production of new life insurance policies, initial sales of policies to older age bands (resulting in increased mortality reserve charges) and the aging of existing policies.

The $1,142,578 increase in deferred federal income taxes during the three months ended March 31, 2019 was due to $1,065,684 of increased deferred federal income taxes on the unrealized appreciation of fixed maturity and preferred stock available-for-sale and $76,894 of operating deferred federal tax expense.

The $28,387,971 increase in funds withheld under coinsurance agreement is due to the liability related to TLIC's annuity coinsurance agreement with an offshore annuity and life insurance company.

Our other liabilities as of March 31, 2019 and December 31, 2018 are summarized as follows:

	(Unaudited) March 31, 2019	December 31, 2018	Amount Change 2019 less 2018
Suspense accounts payable	$ 23,998,896	$ 7,379,975	$ 16,618,921
Accounts payable	98,597	47,309	51,288
Accrued expenses payable	500,000	668,000	(168,000)
Payable for securities purchased	269,602	393,762	(124,160)
Guaranty fund assessments	38,000	35,000	3,000
Unearned investment income	104,568	71,234	33,334
Deferred revenue	16,246	18,953	(2,707)
Unclaimed funds	60,862	39,325	21,537
Lease liability	153,422	-	153,422
Other payables, withholdings and escrows	(496,681)	(535,290)	38,609
Total other liabilities	$ 24,743,512	$ 8,118,268	$ 16,625,244

The $16,618,921 increase in suspense accounts payable is due to increased deposits on policy applications that had not been issued as of the financial reporting date.

The Company reported a lease liability of $153,422 as of March 31, 2019, in accordance with the lease guidance adopted in 2019.

The $168,000 decrease in accrued expenses payable is primarily due to a reduction in the March 2019 accrual for agency conference and acquisition expenses.

As of March 31, 2019, the Company had $269,602 in security purchases where the trade date and settlement date were in different financial reporting periods compared to $393,762 of security purchases overlapping financial reporting periods as of December 31, 2018.

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, 2019, 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.

During 2012, 2013, 2014 and 2015, the Company repurchased 247,580 shares of its common stock at a total 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 current 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, 2019, we had cash and cash equivalents totaling $69,295,720. As of March 31, 2019, cash and cash equivalents of $22,262,431 and $45,508,572, respectively, totaling $67,771,003 were held by TLIC and FBLIC and may not be available for use by FTFC due to the required pre-approval by the OID and Missouri Department of Insurance 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 capacity for TLIC to pay a dividend up to $2,073,443 in 2019 without prior approval. In addition, based on those limitations, there is the capacity for FBLIC to pay a dividend up to $988,218 in 2019 without prior approval. FBLIC paid dividends of $760,347 to TLIC in 2018 but none in 2019. TLIC has paid no dividends to FTFC in 2019 and 2018.

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 $9,989,538 and $14,663,402 as of March 31, 2019 and December 31, 2018, 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.

On November 8, 2018, the company executed a $1.5 million line of credit with a bank to provide working capital and funds for expansion. The terms of the line of credit allowed for advances, repayments and re-borrowings through a maturity date of November 8, 2019. Any outstanding advances will incur interest at a variable interest rate of the prime rate set forth in the Wall Street Journal plus 1% per annum adjusting monthly based on a 360 day year with a minimum interest rate floor of 5%. No amounts were outstanding on this line of credit as of March 31, 2019 and December 31, 2018.

Our cash flows for the three months ended March 31, 2019 and 2018 are summarized as follows:

	(Unaudited) Three Months Ended March 31,		Amount Change
	2019	2018	2019 less 2018
Net cash provided by (used in) operating activities	$ (3,215,788)	$ 2,242,119	$ (5,457,907)
Net cash used in investing activities	(19,133,401)	(16,205,296)	(2,928,105)
Net cash provided by financing activities	61,979,304	272,889	61,706,415
Increase (decrease) in cash and cash equivalents	39,630,115	(13,690,288)	53,320,403
Cash and cash equivalents, beginning of period	29,665,605	31,496,159	(1,830,554)
Cash and cash equivalents, end of period	$ 69,295,720	$ 17,805,871	$ 51,489,849

8The $3,215,788 of cash used in operating activities and $2,242,119 of cash provided by operating activities for the three months ended March 31, 2019 and 2018, respectively, are summarized as follows:

	(Unaudited) Three Months Ended March 31,		Amount Change
	2019	2018	2019 less 2018
Premiums collected	$ 5,520,968	$ 4,494,584	$ 1,026,384
Net investment income collected	4,131,003	4,330,779	(199,776)
Other income collected	466,718	21,227	445,491
Death benefits paid	(1,434,518)	(1,329,585)	(104,933)
Surrenders paid	(350,407)	(227,669)	(122,738)
Dividends and endowments paid	(68,641)	(67,866)	(775)
Commissions paid	(3,661,303)	(2,039,550)	(1,621,753)
Other underwriting, insurance and acquisition expenses paid	(2,258,740)	(2,868,303)	609,563
Taxes paid	(718,166)	(456,940)	(261,226)
Increased assets held in trust under coinsurance agreement	(19,715,191)	-	(19,715,191)
Increased advances to mortgage loan originator	(770,232)	(314,637)	(455,595)
Increased deposits of pending policy applications	16,618,921	2,689,635	13,929,286
Increased short-term investments	(914,153)	(1,995,943)	1,081,790
(Increased) decreased policy loans	(25,467)	12,855	(38,322)
Other	(36,580)	(6,468)	(30,112)
Increase (decrease) in cash provided by operating activities	$ (3,215,788)	$ 2,242,119	$ (5,457,907)

Please see the statements of cash flows for the three months ended March 31, 2019 and 2018 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, 2019 and December 31, 2018 is summarized as follows:

	(Unaudited) March 31, 2019	December 31, 2018	Amount Change 2019 less 2018
Common stock, par value $.01 per share (20,000,000 shares authorized, 8,050,173 issued as of March 31, 2019 and December 31, 2018 and 7,802,593 outstanding as of March 31, 2019 and December 31, 2018)	$ 80,502	$ 80,502	$ -
Additional paid-in capital	28,684,598	28,684,598	-
Treasury stock, at cost (247,580 shares as of March 31, 2019 and December 31, 2018)	(893,947)	(893,947)	-
Accumulated other comprehensive income (loss)	1,432,363	(2,576,631)	4,008,994
Accumulated earnings	15,252,925	13,830,729	1,422,196
Total shareholders' equity	$ 44,556,441	$ 39,125,251	$ 5,431,190

The increase in shareholders' equity of $5,431,190 for the three months ended March 31, 2019 is due to $4,008,994 in other comprehensive income and $1,422,196 in net income.

Equity per common share outstanding increased 14.0% from $5.01 per share as of December 31, 2018 to $5.71 per share as of March 31, 2019, based upon 7,802,593 common shares outstanding as of both March 31, 2019 and December 31, 2018.

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 2019 or 2018. 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 appreciation (depreciation) on available-for-sale securities of $1,815,492 and ($3,271,683) as of March 31, 2019 and December 31, 2018, respectively, prior to the impact of income taxes and deferred acquisition cost adjustments. An increase of $5,127,250 in unrealized gains arising for the three months ended March 31, 2019 has been offset by 2019 net realized investment gains of $40,075 originating from the sale and call activity for fixed maturity securities available-for-sale resulting in net unrealized gains on investments of $5,087,175.

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, 2019, 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 21.2% 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 2018, 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.

Effective January 1, 2019, the Company entered into a revised advance agreement with one loan originator. As of March 31, 2019, the Company has outstanding advances to this loan originator totaling $5,713,102. The advances are secured by $5,546,540 of residential mortgage loans on real estate that are assigned to the Company. The Company has committed to fund up to an additional $1,288,873 to the loan originator that would result in additional security in the form of residential mortgage loans on real estate to be assigned to the Company.

Effective January 1, 2019, the Company also entered into a revised escrow agreement with the same loan originator. According to the revised terms of the escrow agreement, as of March 31, 2019, $825,244 of additional and secured residential mortgage loan balances on real estate are held in escrow by the Company. As of March 31, 2019, $569,604 of that escrow amount is available to the Company as additional collateral on $5,713,102 of advances to the loan originator. The remaining March 31, 2019 escrow amount of $255,640 is available to the Company as additional collateral on its investment of $51,127,965 in residential mortgage loans on real estate.

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, 2019 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, including and in connection with our divestiture or winding down of businesses such as FTCC;
- 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; and
- the availability of capital to expand our business.

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, 2019 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

A lawsuit filed by the Company and Chairman, President and Chief Executive Officer, Gregg E. Zahn, against former Company Board of Directors member Wayne Pettigrew and Mr. Pettigrew's company, Group & Pension Planners, Inc. (the "Defendants"), concluded on February 17, 2017. The lawsuit was filed in the District Court of Tulsa County, Oklahoma (Case No. CJ-2013-03385). In the lawsuit, the Company alleged that Mr. Pettigrew had defamed the Company by making untrue statements to certain shareholders of the Company, to the press and to regulators of the state of Oklahoma and had breached his fiduciary duties.

The jury concluded that Mr. Pettigrew, while still a member of the Company's Board of Directors, did, in fact, make untrue statements regarding the Company and Mr. Zahn and committed breaches of his fiduciary duties to the Company and the jury awarded the Company $800,000 of damages against Mr. Pettigrew. In addition, the jury found that Mr. Pettigrew had defamed Mr. Zahn and intentionally inflicted emotional distress on Mr. Zahn and awarded Mr. Zahn $3,500,000 of damages against Mr. Pettigrew. In addition to the damages awarded by the jury, the Company and Mr. Zahn have initiated steps to aggressively communicate the correction of the untrue statements to outside parties.

Mr. Pettigrew has appealed this decision but has failed to post an appeal bond. As a consequence, the Company and Mr. Zahn are in the process of executing on the judgments against Mr. Pettigrew's assets. The Company and Mr. Zahn have so far collected some property and money in the execution process and will continue to execute on the judgments. Any money or property collected to date during the execution of the judgments are held in an escrow by a third party, have not been reflected in the March 31, 2019 consolidated financial statements and would have to be returned to Mr. Pettigrew in the event the judgments are reversed by the appellate courts.

Prior to being acquired by TLIC, FBLIC developed, marketed, and sold life insurance products known as "Decreasing Term to 95" policies. On January 17, 2013, FBLIC's Board of Directors voted that, effective March 1, 2013, it was not approving, and therefore was not providing, a non-guaranteed dividend for the Decreasing Term to 95 policies since that group of policies was not producing a positive divisible surplus to allow the payment of a non-guaranteed dividend.

On November 22, 2013, a lawsuit was filed in the Circuit Court of Greene County, Missouri asserting claims by two individuals and a class of Missouri residents against FBLIC relating to this decision to not pay a non-guaranteed dividend. A trial was held November 27, 2017 through December 1, 2017 regarding those class and individual claims. During 2018, a settlement was reached by the parties and the Court approved the settlement agreement on June 11, 2018. FBLIC paid $1.85 million to resolve all class and individual claims and all active Decreasing Term to 95 policies for individuals in the class were cancelled.

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**	XBRL Instance
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation
101.DEF**	XBRL Taxonomy Extension Definition
101.LAB**	XBRL Taxonomy Extension Labels
101.PRE**	XBRL Taxonomy Extension Presentation

**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, 2019

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

May 14, 2019

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, 2019

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, 2019

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, 2019 (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, 2019

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, 2019 (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, 2019

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