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 June 30, 2023

[ ] **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period From _______________ to ________________ .

Commission file number: **000-52613**

FIRST TRINITY FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

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

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

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

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

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

State the number of shares outstanding of each of the issuer’s classes of common equity, as of the latest practicable date: As of August 7, 2023, the registrant had 9,384,340 shares of Class A common stock, .01 par value, outstanding and 101,102 shares of Class B common stock, .01 par value, outstanding.

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

FIRST TRINITY FINANCIAL CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTERLY PERIOD ENDED JUNE 30, 2023

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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) June 30, 2023	December 31, 2022
Assets		
Investments		
Available-for-sale fixed maturity securities at fair value (amortized cost: $141,926,006 and $144,744,158 as of June 30, 2023 and December 31, 2022, respectively)	$ 125,847,409	$ 126,612,890
Equity securities at fair value (cost: $289,964 and $276,131 as of June 30, 2023 and December 31, 2022, respectively)	403,180	399,633
Mortgage loans on real estate	244,702,198	242,314,128
Investment real estate	540,436	540,436
Policy loans	3,075,385	2,840,887
Short-term investments	2,100,482	1,860,578
Other long-term investments	67,988,177	67,500,783
Total investments	444,657,267	442,069,335
Cash and cash equivalents	42,942,780	33,542,725
Accrued investment income	6,347,585	5,580,175
Recoverable from reinsurers	10,675,060	11,102,875
Assets held in trust under coinsurance agreement		
Available-for-sale fixed maturity securities at fair value (amortized cost: $64,041,370 and $63,649,991 as of June 30, 2023 and December 31, 2022, respectively)	57,186,401	56,209,040
Mortgage loans on real estate	27,417,841	31,028,575
Short-term investments	994,785	982,404
Cash and cash equivalents	2,075,412	3,813,750
Total assets held in trust under coinsurance agreement	87,674,439	92,033,769
Agents' balances and due premiums	1,297,556	1,253,077
Deferred policy acquisition costs	59,303,591	56,183,785
Value of insurance business acquired	3,906,606	4,048,105
Other assets	32,755,712	20,050,191
Total assets	$ 689,560,596	$ 665,864,037
Liabilities and Shareholders' Equity		
Policy liabilities		
Policyholders' account balances	$ 411,635,698	$ 391,359,944
Future policy benefits	116,153,377	110,012,174
Policy claims	1,939,713	2,541,088
Other policy liabilities	297,782	146,217
Total policy liabilities	530,026,570	504,059,423
Funds withheld under coinsurance agreement	87,664,950	92,301,039
Deferred federal income taxes	3,422,287	2,677,411
Other liabilities	12,886,273	15,173,652
Total liabilities	634,000,080	614,211,525
Shareholders' equity		
Class A common stock, par value $.01 per share (40,000,000 shares authorized as of June 30, 2023 and December 31, 2022, 9,631,920 issued as of June 30, 2023 and December 31, 2022, 9,384,340 outstanding as of June 30, 2023 and December 31, 2022)	96,319	96,319
Class B common stock, par value $.01 per share (10,000,000 shares authorized, 101,102 issued and outstanding as of June 30, 2023 and December 31, 2022)	1,011	1,011
Additional paid-in capital	43,668,023	43,668,023
Treasury stock, at cost (247,580 shares as of June 30, 2023 and December 31, 2022)	(893,947)	(893,947)
Accumulated other comprehensive loss	(12,698,644)	(14,319,679)
Accumulated earnings	25,387,754	23,100,785
Total shareholders' equity	55,560,516	51,652,512
Total liabilities and shareholders' equity	$ 689,560,596	$ 665,864,037

See notes to consolidated financial statements.

First Trinity Financial Corporation and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues				
Premiums	$ 9,599,539	$ 8,914,138	$ 18,707,848	$ 17,142,920
Net investment income	7,446,396	6,439,117	15,074,212	12,888,112
Net realized investment gains (losses)	(112,070)	(148,714)	(143,521)	1,089,092
Service fees	1,110,994	329,855	2,093,842	387,395
Other income	8,014	5,775	8,433	64,272
Total revenues	18,052,873	15,540,171	35,740,814	31,571,791
Benefits, Claims and Expenses				
Benefits and claims				
Increase in future policy benefits	3,195,351	2,961,862	6,483,015	6,176,835
Death benefits	3,156,135	2,885,203	7,109,297	6,891,443
Surrenders	668,266	438,425	1,101,132	753,815
Interest credited to policyholders	3,805,863	3,230,421	7,421,969	6,406,557
Dividend, endowment and supplementary life contract benefits	87,510	80,052	168,782	156,849
Total benefits and claims	10,913,125	9,595,963	22,284,195	20,385,499
Policy acquisition costs deferred	(3,664,613)	(3,408,839)	(7,400,224)	(6,261,719)
Amortization of deferred policy acquisition costs	2,258,279	2,085,355	4,279,690	3,454,338
Amortization of value of insurance business acquired	73,257	66,755	141,499	138,964
Commissions	3,433,682	3,074,504	6,993,690	5,735,633
Other underwriting, insurance and acquisition expenses	3,139,947	2,352,415	6,294,841	5,215,499
Total expenses	5,240,552	4,170,190	10,309,496	8,282,715
Total benefits, claims and expenses	16,153,677	13,766,153	32,593,691	28,668,214
Income before total federal income tax expense	1,899,196	1,774,018	3,147,123	2,903,577
Current federal income tax expense (benefit)	109,128	(6,054)	255,001	2,216
Deferred federal income tax expense	288,159	321,857	375,117	530,611
Total federal income tax expense	397,287	315,803	630,118	532,827
Net income	$ 1,501,909	$ 1,458,215	$ 2,517,005	$ 2,370,750
Net income per common share				
Class A common stock	$ 0.1586	$ 0.1540	$ 0.2658	$ 0.2503
Class B common stock	$ 0.1348	$ 0.1309	$ 0.2259	$ 0.2128

See notes to consolidated financial statements (unaudited).

First Trinity Financial Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	$ 1,501,909	$ 1,458,215	$ 2,517,005	$ 2,370,750
Other comprehensive income (loss)				
Total net unrealized investment gains (losses) arising during the period	(1,865,053)	(12,507,412)	1,711,883	(27,863,123)
Less net realized investment gains (losses) having no credit losses	(31,281)	(86,008)	(49,603)	1,138,067
Net unrealized investment gains (losses)	(1,833,772)	(12,421,404)	1,761,486	(29,001,190)
Less adjustment to deferred acquisition costs	(363)	(3,550)	728	(10,463)
Other comprehensive income (loss) before federal income tax expense (benefit)	(1,833,409)	(12,417,854)	1,760,758	(28,990,727)
Federal income tax expense (benefit)	(385,017)	(2,607,750)	369,759	(6,088,053)
Total other comprehensive income (loss)	(1,448,392)	(9,810,104)	1,390,999	(22,902,674)
Total comprehensive income (loss)	$ 53,517	$ (8,351,889)	$ 3,908,004	$ (20,531,924)

See notes to consolidated financial statements (unaudited).

First Trinity Financial Corporation and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

Three and Six Months Ended June 30, 2023 and 2022

(Unaudited)

	Class A Common Stock $.01 Par Value	Class B Common Stock $.01 Par Value	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Total Shareholders' Equity
<u>Three months ended June 30, 2022</u>							
Balance as of April 1, 2022	$ 96,319	$ 1,011	$ 43,668,023	$ (893,947)	$ 111,257	$ 17,828,617	$ 60,811,280
Comprehensive income (loss):							
Net income	-	-	-	-	-	1,458,215	1,458,215
Other comprehensive loss	-	-	-	-	(9,810,104)	-	(9,810,104)
Balance as of June 30, 2022	$ 96,319	$ 1,011	$ 43,668,023	$ (893,947)	$ (9,698,847)	$ 19,286,832	$ 52,459,391
<u>Six months ended June 30, 2022</u>							
Balance as of January 1, 2022	$ 89,093	$ 1,011	$ 39,078,485	$ (893,947)	$ 13,203,827	$ 16,916,082	$ 68,394,551
Comprehensive income (loss):							
Net income	-	-	-	-	-	2,370,750	2,370,750
Other comprehensive loss	-	-	-	-	(22,902,674)	-	(22,902,674)
Acquisition of Royalty Capital Life Insurance Company	7,226	-	4,589,538	-	-	-	4,596,764
Balance as of June 30, 2022	$ 96,319	$ 1,011	$ 43,668,023	$ (893,947)	$ (9,698,847)	$ 19,286,832	$ 52,459,391
<u>Three months ended June 30, 2023</u>							
Balance as of April 1, 2023	$ 96,319	$ 1,011	$ 43,668,023	$ (893,947)	$ (11,250,252)	$ 23,885,845	$ 55,506,999
Comprehensive income (loss):							
Net income	-	-	-	-	-	1,501,909	1,501,909
Other comprehensive loss	-	-	-	-	(1,448,392)	-	(1,448,392)
Balance as of June 30, 2023	$ 96,319	$ 1,011	$ 43,668,023	$ (893,947)	$ (12,698,644)	$ 25,387,754	$ 55,560,516
<u>Six months ended June 30, 2023</u>							
Balance as of January 1, 2023	$ 96,319	$ 1,011	$ 43,668,023	$ (893,947)	$ (14,319,679)	$ 23,100,785	$ 51,652,512
Cumulative effect adjustment as of January 1, 2023:							
Accumulated credit loss January 1, 2023	-	-	-	-	230,036	(230,036)	-
Adjusted balance as of January 1, 2023	96,319	1,011	43,668,023	(893,947)	(14,089,643)	22,870,749	51,652,512
Comprehensive income:							
Net income	-	-	-	-	-	2,517,005	2,517,005
Other comprehensive income	-	-	-	-	1,390,999	-	1,390,999
Balance as of June 30, 2023	$ 96,319	$ 1,011	$ 43,668,023	$ (893,947)	$ (12,698,644)	$ 25,387,754	$ 55,560,516

See notes to consolidated financial statements (unaudited).

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

	Six Months Ended June 30,	
	2023	2022
Operating activities		
Net income	$ 2,517,005	$ 2,370,750
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion of discount on investments	(2,518,435)	(2,400,489)
Net realized investment (gains) losses	143,521	(1,089,092)
Amortization of policy acquisition cost	4,279,690	3,454,338
Policy acquisition cost deferred	(7,400,224)	(6,261,719)
Amortization of value of insurance business acquired	141,499	138,964
Allowance for mortgage loan losses	39,426	127,708
Provision for deferred federal income tax expense	375,117	530,611
Interest credited to policyholders	7,421,969	6,406,557
Change in assets and liabilities:		
Accrued investment income	(767,410)	(130,313)
Recoverable from reinsurers	427,815	311,050
Assets held in trust under coinsurance agreement	7,141,323	3,455,715
Agents' balances and due premiums	(44,479)	279,954
Other assets (excludes change in receivable of securities sold of ($12,358,726) in 2022)	(12,705,521)	(2,656,148)
Future policy benefits	6,141,203	6,111,571
Policy claims	(601,375)	3,252
Other policy liabilities	151,565	97,146
Other liabilities (excludes change in payable for securities purchased of $756,933 and ($1,318,340) in 2023 and 2022, respectively)	(3,044,312)	(4,976,699)
Net cash provided by operating activities	1,698,377	5,773,156
Investing activities		
Purchases of fixed maturity securities	(223,594)	(33,600,214)
Maturities of fixed maturity securities	355,000	952,000
Sales of fixed maturity securities	2,158,558	40,114,357
Purchases of equity securities	(63,479)	(112,517)
Acquisition of Royalty Capital Life Insurance Company	-	3,525,749
Joint venture distributions	49,646	97,804
Purchases of mortgage loans	(74,416,806)	(71,372,265)
Payments on mortgage loans	71,963,905	53,208,585
Purchases of other long-term investments	(5,523,698)	(4,306,740)
Payments on other long-term investments	7,683,912	8,726,389
Sale of real estate	-	49,371
Net change in policy loans	(234,498)	(229,806)
Net change in short-term investments	(239,904)	1,511,348
Net change in receivable and payable for securities sold and purchased	756,933	(13,677,066)
Net cash provided by (used in) investing activities	2,265,975	(15,113,005)
Financing activities		
Policyholders' account deposits	57,781,005	18,546,018
Policyholders' account withdrawals	(52,345,302)	(33,475,021)
Net cash provided by (used in) financing activities	5,435,703	(14,929,003)
Increase (decrease) in cash and cash equivalents	9,400,055	(24,268,852)
Cash and cash equivalents, beginning of period	33,542,725	42,528,046
Cash and cash equivalents, end of period	$ 42,942,780	$ 18,259,194

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 Investing Activities
(Unaudited)

On January 4, 2022, the Company acquired Royalty Capital Life Insurance Company. The Company acquired assets of $15,778,364 (including cash) and assumed liabilities of $11,181,600.

In conjunction with this 2022 acquisition, the cash and non-cash impact on operating, investing and financing activities is summarized as follows.

	June 30, 2022
Cash used in acquisition of Royalty Capital Life Insurance Company	$ -
Cash provided in acquisition of Royalty Capital Life Insurance Company	3,525,749
Increase in cash from acquisition of Royalty Capital Life Insurance Company	3,525,749
Fair value of assets acquired in acquisition of Royalty Capital Life Insurance Company (excluding cash)	
Short-term investments	1,586,667
Recoverable from reinsurers	10,634,753
Accrued investment income	8
Due premiums	25,187
Other assets	6,000
Total fair value of assets acquired (excluding cash)	12,252,615
Fair value of liabilities assumed in acquisition of Royalty Capital Life Insurance Company	
Future policy benefits	8,102,093
Policyholders' account balance	3,019,610
Policy claims	51,392
Other liabilities	8,505
Total fair value of liabilities assumed	11,181,600
Fair value of net assets acquired in acquisition of Royalty Capital Life Insurance Company (excluding cash)	1,071,015
Fair value of net assets acquired in acquisition of Royalty Capital Life Insurance Company (including cash)	$ 4,596,764

See notes to consolidated financial statements (unaudited).

1. Organization and Significant Accounting Policies

Nature of Operations

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

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

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

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

Company Capitalization

The Company raised $1,450,000 from two private placement stock offerings during 2004 and $25,669,480 from two public stock offerings and one private placement stock offering from June 22, 2005 through February 23, 2007; June 29, 2010 through April 30, 2012 and August 15, 2012 through March 8, 2013. The Company issued 7,347,488 shares of its common stock and incurred $3,624,518 of offering costs during these private placements and public stock offerings. On January 1, 2020, the Company issued 168,866 shares in connection with its acquisition of K-TENN Insurance Company ("K-TENN").

The Company also issued 702,685 shares of its common stock in connection with two stock dividends paid to shareholders in 2011 and 2012 that resulted in accumulated earnings being charged $5,270,138 with an offsetting credit of $5,270,138 to common stock and additional paid-in capital. In 2020, the Company paid a $0.05 per share cash dividend for a total of $393,178 and issued 791,339 shares of Class A common stock in connection with a 10% stock dividend to its Class A shareholders. The 10% stock dividend resulted in accumulated earnings being charged $8,657,249 with an offsetting credit of $8,657,249 to common stock and additional paid-in capital.

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

1. Organization and Significant Accounting Policies (continued)

Acquisition of Other Companies

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

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

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

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

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

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

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

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

Basis of Presentation

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

The results of operations for the six months ended June 30, 2023 are not necessarily indicative of the results to be expected for the year ended December 31, 2023 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, 2022.

1. Organization and Significant Accounting Policies (continued)

Change in Significant Accounting Policies – Investments and Allowance for Loan Losses from Mortgage Loans

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

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

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

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

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

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

Prior to 2023, the Company evaluated the difference between the cost or amortized cost and estimated fair value of its fixed maturity securities to determine whether any decline in value was other-than-temporary in nature. That determination involved a degree of uncertainty. If a decline in the fair value of a security was determined to be temporary, the decline was recorded as an unrealized loss in shareholders' equity. If a decline in a security's fair value is considered to be other-than-temporary, the Company then determined the proper treatment for the other-than-temporary impairment. The amount of any other-than-temporary impairment related to a credit loss was recognized in earnings and reflected as a reduction in the cost basis of the security; and the amount of any other-than-temporary impairment related to other factors is recognized in other comprehensive income (loss) with no change to the cost basis of the security. If an other-than-temporary impairment related to a credit loss occurs with respect to a bond, the Company amortized the reduced book value back to the security's expected recovery value over the remaining term of the bond. The Company continued to review the security for further impairment that would prompt another write-down in the value.

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

1. Organization and Significant Accounting Policies (continued)

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

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

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

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

Prior to and continuing in 2023, the Company established a valuation allowance for mortgage loans on real estate that are not supported by funds held in escrow based on historical patterns. This allowance for possible loan losses from investments in mortgage loans on real estate continues to be a reserve established through a provision for possible loan losses charged to expense which represents, in our judgment, the known and inherent credit losses existing in the residential and commercial mortgage loan portfolio. This allowance, in the Company's judgment, is necessary to reserve for estimated loan losses inherent in the residential and commercial 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 this allowance is dependent upon a variety of factors beyond our control, including the performance of the residential and commercial mortgage loan portfolio, the economy and changes in interest rates. The allowance for possible mortgage loan losses consists of specific valuation allowances established for probable losses on specific loans and a portfolio reserve for probable incurred but not specifically identified loans.

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

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

1. Organization and Significant Accounting Policies (continued)

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

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

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

Principles of Consolidation

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

Reclassifications

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

Use of Estimates

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

Common Stock and Treasury Stock

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

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

Coinsurance

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

1. Organization and Significant Accounting Policies (continued)

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

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

Stock Purchase Agreement

On April 24, 2023, as approved by the FTFC Board of Directors, the Company executed a definitive agreement to be acquired by Brickell L & A Holdings LLC, a portfolio company of the Brickell Insurance Group of companies, and an affiliate of 777 Partners LLC. All the Company's Class A and Class B common stock (converted to Class A common stock at closing at a rate of 85%) issued and outstanding will be purchased from FTFC's shareholders for approximately $7.75 to $8.00 per Class A share. Closing of this transaction is expected in the fourth quarter 2023.

Subsequent Events

Management has evaluated all events subsequent to June 30, 2023 through the date that these financial statements have been issued.

Adopted Accounting Standards

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

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

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

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

1. Organization and Significant Accounting Policies (continued)

Troubled Debt Restructurings and Vintage Disclosures

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

Recent Accounting Pronouncements

Targeted Improvements to the Accounting for Long-Duration Contracts

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

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

Transition for Sold Contracts

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

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

2. Investments

Investments in fixed maturity available-for-sale securities as of June 30, 2023 and December 31, 2022 are summarized as follows:

	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	June 30, 2023 (Unaudited)			
Fixed maturity securities				
U.S. government and U.S. government agencies	$ 2,125,018	$ -	$ 48,827	$ 2,076,191
States and political subdivisions	5,461,491	1,413	389,121	5,073,783
Commercial mortgage-backed securities	10,617,585	-	2,347,083	8,270,502
Residential mortgage-backed securities	10,148	5,729	-	15,877
Corporate bonds	86,185,132	26,131	9,004,798	77,206,465
Asset-backed securities	8,657,316	-	1,224,816	7,432,500
Exchange traded securities	772,051	-	302,051	470,000
Foreign bonds	26,847,265	-	2,651,774	24,195,491
Redeemable preferred securities	1,250,000	-	143,400	1,106,600
Total fixed maturity securities	$ 141,926,006	$ 33,273	$ 16,111,870	$ 125,847,409
Fixed maturity securities held in trust under coinsurance agreement	$ 64,041,370	$ 12,175	$ 6,867,144	$ 57,186,401
	December 31, 2022			
Fixed maturity securities				
U.S. government and U.S. government agencies	$ 2,097,558	$ -	$ 42,993	$ 2,054,565
States and political subdivisions	4,966,770	2,268	408,717	4,560,321
Commercial mortgage-backed securities	10,608,213	-	2,274,575	8,333,638
Residential mortgage-backed securities	10,550	4,700	-	15,250
Corporate bonds	88,394,563	35,464	10,317,890	78,112,137
Asset-backed securities	9,538,593	-	1,539,164	7,999,429
Exchange traded securities	682,280	-	215,080	467,200
Foreign bonds	26,995,631	-	3,225,551	23,770,080
Redeemable preferred securities	1,250,000	-	148,800	1,101,200
Certificate of deposits	200,000	-	930	199,070
Total fixed maturity securities	$ 144,744,158	$ 42,432	$ 18,173,700	$ 126,612,890
Fixed maturity securities held in trust under coinsurance agreement	$ 63,649,991	$ 8,224	$ 7,449,175	$ 56,209,040

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 June 30, 2023 and December 31, 2022 are summarized as follows:

	Fair Value	Unrealized Loss	Number of Securities
	June 30, 2023 (Unaudited)		
Fixed maturity securities			
Less than 12 months in an unrealized loss position			
U.S. government and U.S. government agencies	$ 1,980,051	$ 44,876	3
States and political subdivisions	2,770,409	154,837	13
Corporate bonds	17,082,573	500,756	62
Asset-backed securities	188,045	4,163	1
Foreign bonds	4,699,554	229,867	13
Total less than 12 months in an unrealized loss position	26,720,632	934,499	92
More than 12 months in an unrealized loss position			
U.S. government and U.S. government agencies	96,140	3,951	1
States and political subdivisions	1,825,316	234,284	10
Commercial mortgage-backed securities	8,270,502	2,347,083	24
Corporate bonds	59,232,667	8,504,042	175
Asset-backed securities	7,244,455	1,220,653	19
Exchange traded securities	470,000	302,051	2
Foreign bonds	19,495,937	2,421,907	52
Redeemable preferred securities	356,600	143,400	2
Total more than 12 months in an unrealized loss position	96,991,617	15,177,371	285
Total fixed maturity securities in an unrealized loss position	$ 123,712,249	$ 16,111,870	377
Fixed maturity securities held in trust under coisnurance agreement			
Total less than 12 months in an unrealized loss position	$ 15,381,772	$ 449,876	96
Total more than 12 months in an unrealized loss position	40,966,553	6,417,268	153
Total fixed maturity securities held in trust under coinsurance agreement in a unrealized loss position	$ 56,348,325	$ 6,867,144	249
	December 31, 2022		
Fixed maturity securities			
Less than 12 months in an unrealized loss position			
U.S. government and U.S. government agencies	$ 1,760,073	$ 37,231	2
States and political subdivisions	3,325,252	301,788	20
Commercial mortgage-backed securities	5,863,255	1,387,792	17
Corporate bonds	69,451,263	8,733,104	216
Asset-backed securities	5,042,586	890,318	12
Certificate of deposits	199,070	930	1
Foreign bonds	21,766,704	2,785,419	61
Total less than 12 months in an unrealized loss position	107,408,203	14,136,582	329
More than 12 months in an unrealized loss position			
U.S. government and U.S. government agencies	294,492	5,762	2
States and political subdivisions	766,424	106,929	3
Commercial mortgage-backed securities	2,470,383	886,783	7
Corporate bonds	6,314,364	1,584,786	20
Asset-backed securities	2,956,843	648,846	9
Exchange traded securities	467,200	215,080	2
Redeemable preferred securities	351,200	148,800	2
Foreign bonds	2,003,376	440,132	6
Total more than 12 months in an unrealized loss position	15,624,282	4,037,118	51
Total fixed maturity securities in an unrealized loss position	$ 123,032,485	$ 18,173,700	380
Fixed maturity securities held in trust under coinsurance agreement			
Total less than 12 months in an unrealized loss position	$ 49,918,808	$ 5,679,624	231
Total more than 12 months in an unrealized loss position	5,524,318	1,769,551	21
Total fixed maturity securities held in trust under coinsurance agreement in a unrealized loss position	$ 55,443,126	$ 7,449,175	252

2. Investments (continued)

As of June 30, 2023, the Company held 377 available-for-sale fixed maturity securities with an unrealized loss of $16,111,870, fair value of $123,712,249 and amortized cost of $139,824,119. These unrealized losses were primarily due to the market interest rate movements in the bond market as of June 30, 2023. The ratio of the fair value to the amortized cost of these 377 securities is 88%.

As of December 31, 2022, the Company held 380 available-for-sale fixed maturity securities with an unrealized loss of $18,173,700, fair value of $123,032,485 and amortized cost of $141,206,185. These unrealized losses were primarily due to market interest rate movements in the bond market as of December 31, 2022. The ratio of the fair value to the amortized cost of these 380 securities is 87%.

The change in the current estimate of credit losses on fixed maturity available-for-sale securities for the six months ended June 30, 2023 is summarized as follows:

	(Unaudited) June 30, 2023
Beginning balance	$ -
Cumulative adjustment to accumulated earnings as of January 1, 2023	(291,185)
Current estimate of credit losses	(83,632)
Ending balance	$ (374,817)

There were no impairment losses recognized by the Company during the six months ended June 30, 2023. Management believes that the Company will fully recover its cost basis in the securities held as of June 30, 2023, 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.

Net unrealized losses included in other comprehensive income (loss) for investments classified as available-for-sale, net of the effect of deferred income taxes and deferred acquisition costs assuming that the depreciation had been realized as of June 30, 2023 and December 31, 2022, are summarized as follows:

	(Unaudited) June 30, 2023	December 31, 2022
Unrealized appreciation (depreciation) on available-for-sale securities	$ (16,078,597)	$ (18,131,268)
Adjustment to deferred acquisition costs	4,363	5,091
Deferred income taxes	3,375,590	3,806,498
Net unrealized appreciation (depreciation) on available-for-sale securities	$ (12,698,644)	$ (14,319,679)
Assets held in trust under coinsurance agreement		
Unrealized appreciation (depreciation) on fixed maturity securities available-for-sale	$ (6,854,969)	$ (7,440,951)

2. Investments (continued)

The Company's investment in lottery prize cash flows categorized as other long-term investments in the statement of financial position was $67,988,177 and $67,500,783 as of June 30, 2023 and December 31, 2022, 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 June 30, 2023, by contractual maturity, are summarized as follows:

	June 30, 2023 (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	$ 3,170,460	$ 3,133,429	$ 14,481,722	$ 14,674,792
Due after one year through five years	24,661,470	23,096,586	36,170,240	38,750,540
Due after five years through ten years	22,571,478	21,082,643	12,287,861	14,451,934
Due after ten years	79,644,865	69,128,861	5,048,354	7,038,584
Due at multiple maturity dates	11,877,733	9,405,890	-	-
	$ 141,926,006	$ 125,847,409	$ 67,988,177	$ 74,915,850

The amortized cost and fair value of fixed maturity available-for-sale securities held in trust under coinsurance agreement as of June 30, 2023, by contractual maturity, are summarized as follows:

	June 30, 2023 (Unaudited)	
	Fixed Maturity Available-For-Sale Securities	
	Amortized Cost	Fair Value
Due in one year or less	$ 3,245,553	$ 3,204,198
Due after one year through five years	32,037,813	30,544,771
Due after five years through ten years	8,781,084	8,344,656
Due after ten years	16,851,280	12,519,603
Due at multiple maturity dates	3,125,640	2,573,173
	$ 64,041,370	$ 57,186,401

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, equity securities and investment real estate for the three and six months ended June 30, 2023 and 2022 are summarized as follows:

	Three Months Ended June 30, (Unaudited)					
	Fixed Maturity Securities		Equity Securities		Investment Real Estate	
	2023	2022	2023	2022	2023	2022
Proceeds	$ 730,108	$ 10,116,397	$ -	$ -	$ -	$ -
Gross realized gains	2,062	16,111	-	-	-	-
Gross realized losses	(33,343)	(102,119)	-	-	-	-

	Six Months Ended June 30, (Unaudited)					
	Fixed Maturity Securities		Equity Securities		Investment Real Estate	
	2023	2022	2023	2022	2023	2022
Proceeds	$ 2,513,558	$ 41,066,357	$ -	$ -	$ -	$ 49,371
Gross realized gains	17,961	1,241,025	-	-	-	-
Gross realized losses	(67,564)	(102,958)	-	(8,000)	-	(3,696)

The accumulated change in unrealized investment gains (losses) for fixed maturity available-for-sale securities for the three and six months ended June 30, 2023 and 2022 and the amount of net realized investment gains (losses) on fixed maturity securities available-for-sale, equity securities and investment real estate for the three and six months ended June 30, 2023 and 2022 are summarized as follows:

	Three Months Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
	2023	2022	2023	2022
Change in unrealized investment gains (losses):				
Available-for-sale securities:				
Fixed maturity securities	$ (1,833,772)	$ (12,421,404)	$ 1,761,486	$ (29,001,190)
Fixed maturity securities held in trust under coinsurance agreement	(471,798)	(4,551,514)	585,982	(9,227,885)
Net realized investment gains (losses):				
Available-for-sale securities:				
Fixed maturity securities	(31,281)	(86,008)	(49,603)	1,138,067
Fixed maturity securities credit losses	(76,709)	-	(83,632)	-
Equity securities, sale of securities	-	-	-	(8,000)
Equity securities, changes in fair value	(4,080)	(62,706)	(10,286)	(37,279)
Investment real estate	-	-	-	(3,696)

2. Investments (continued)

Major categories of net investment income for the three and six months ended June 30, 2023 and 2022 are summarized as follows:

	Three Months Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
	2023	2022	2023	2022
Fixed maturity securities	$ 1,473,021	$ 1,734,933	$ 3,033,054	$ 3,670,687
Equity securities	77,860	48,026	106,115	113,099
Other long-term investments	1,287,139	1,211,486	2,647,469	2,523,180
Mortgage loans	4,594,059	4,103,208	9,318,415	7,881,233
Policy loans	57,384	48,755	113,960	92,077
Short-term and other investments	774,735	25,434	1,269,413	46,706
Gross investment income	8,264,198	7,171,842	16,488,426	14,326,982
Investment expenses	(817,802)	(732,725)	(1,414,214)	(1,438,870)
Net investment income	$ 7,446,396	$ 6,439,117	$ 15,074,212	$ 12,888,112

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 June 30, 2023 and December 31, 2022, these required deposits, included in investment assets, had amortized costs that totaled $4,361,569 and $4,634,898, respectively. As of June 30, 2023 and December 31, 2022, these required deposits had fair values that totaled $4,312,156 and $4,590,193, respectively.

2. Investments (continued)

The Company's mortgage loans by property type as of June 30, 2023 and December 31, 2022 are summarized as follows:

	(Unaudited) June 30, 2023	December 31, 2022
Residential mortgage loans	$ 227,959,706	$ 223,984,194
Commercial mortgage loans by property type		
Agricultural	990,536	994,691
Apartment	3,424,679	3,625,533
Industrial	1,977,749	1,999,438
Lodging	187,221	268,741
Office building	5,726,869	5,681,946
Retail	4,435,438	5,759,585
Total commercial mortgage loans by property type	16,742,492	18,329,934
Total mortgage loans	$ 244,702,198	$ 242,314,128
Mortgage loans held in trust under coinsurance agreement		
Commercial mortgage loans	$ 27,540,178	$ 31,076,883
Less unearned interest on mortgage loans	122,337	48,308
Total mortgage loans held in trust under coinsurance agreement	$ 27,417,841	$ 31,028,575

There were 22 mortgage loans with a remaining principal balance of $6,027,499 that were more than 90 days past due as of June 30, 2023. There were eight mortgage loans with a remaining principal balance of $2,222,863 that were more than 90 days past due as of June 30, 2022.

There were seven mortgage loans in default and in the foreclosure process with a remaining principal balance of $1,780,274 as of June 30, 2023. There were four mortgage loans in default and in the foreclosure process with a remaining principal balance of $1,841,176 as of June 30, 2022.

The Company's investment real estate as of June 30, 2023 and December 31, 2022 is summarized as follows:

	(Unaudited) June 30, 2023	December 31, 2022
Land - held for investment	$ 540,436	$ 540,436
Residential real estate - held for sale	-	-
Total investment in real estate	$ 540,436	$ 540,436

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

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

During 2022, the Company sold investment real estate property with an aggregate carrying value of $147,909. The Company recorded a gross realized investment gain on sale of $52,171 based on an aggregate sales price of $200,080.

3. Fair Value Measurements

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

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

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

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

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 June 30, 2023 and December 31, 2022 is summarized as follows:

	Level 1	Level 2	Level 3	Total
	June 30, 2023 (Unaudited)			
Fixed maturity securities, available-for-sale				
U.S. government and U.S. government agencies	$ -	$ 2,076,191	$ -	$ 2,076,191
States and political subdivisions	-	5,073,783	-	5,073,783
Commercial mortgage-backed securities	-	8,270,502	-	8,270,502
Residential mortgage-backed securities	-	15,877	-	15,877
Corporate bonds	-	77,206,465	-	77,206,465
Asset-backed securities	-	7,432,500	-	7,432,500
Exchange traded securities	-	470,000	-	470,000
Foreign bonds	-	24,195,491	-	24,195,491
Redeemable preferred securities	-	1,106,600	-	1,106,600
Total fixed maturity securities	$ -	$ 125,847,409	$ -	$ 125,847,409
Fixed maturity securities, available-for-sale held in trust under coinsurance agreement	$ -	$ 57,186,401	$ -	$ 57,186,401
Equity securities				
Mutual funds	$ -	$ 49,667	$ -	$ 49,667
Corporate common stock	285,684	-	67,829	353,513
Total equity securities	$ 285,684	$ 49,667	$ 67,829	$ 403,180
	December 31, 2022			
Fixed maturity securities, available-for-sale				
U.S. government and U.S. government agencies	$ -	$ 2,054,565	$ -	$ 2,054,565
States and political subdivisions	-	4,560,321	-	4,560,321
Commercial mortgage-backed securities	-	8,333,638	-	8,333,638
Residential mortgage-backed securities	-	15,250	-	15,250
Corporate bonds	-	78,112,137	-	78,112,137
Asset-backed securities	-	7,999,429	-	7,999,429
Exchange traded securities	-	467,200	-	467,200
Foreign bonds	-	23,770,080	-	23,770,080
Redeemable preferred securities	-	1,101,200	-	1,101,200
Certificate of deposit	-	199,070	-	199,070
Total fixed maturity securities	$ -	$ 126,612,890	$ -	$ 126,612,890
Fixed maturity securities, available-for-sale held in trust under coinsurance agreement	$ -	$ 56,209,040	$ -	$ 56,209,040
Equity securities				
Mutual funds	$ -	$ 47,910	$ -	$ 47,910
Corporate common stock	297,727	-	53,996	351,723
Total equity securities	$ 297,727	$ 47,910	$ 53,996	$ 399,633

3. Fair Value Measurements (continued)

As of June 30, 2023 and December 31, 2022, Level 3 financial instruments consisted of a private placement common stock that has no active trading and a joint venture investment with a mortgage loan originator.

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

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

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

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

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

The change in the fair value of the Company’s Level 3 equity securities available-for-sale for the six months ended June 30, 2023 and December 31, 2022 is summarized as follows:

	(Unaudited) June 30, 2023	December 31, 2022
Beginning balance	$ 53,996	$ 63,423
Joint venture net income	63,479	215,470
Joint venture distribution	(49,646)	(216,897)
Net realized investment losses	-	(8,000)
Ending balance	$ 67,829	$ 53,996

First Trinity Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023
(Unaudited)

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 June 30, 2023 and December 31, 2022, 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
			June 30, 2023 (Unaudited)		
Financial assets					
Mortgage loans on real estate					
Commercial	$ 16,742,492	$ 15,816,782	$ -	$ -	$ 15,816,782
Residential	227,959,706	198,113,805	-	-	198,113,805
Policy loans	3,075,385	3,075,385	-	-	3,075,385
Short-term investments	2,100,482	2,100,482	2,100,482	-	-
Other long-term investments	67,988,177	74,915,850	-	-	74,915,850
Cash and cash equivalents	42,942,780	42,942,780	42,942,780	-	-
Accrued investment income	6,347,585	6,347,585	-	-	6,347,585
Total financial assets	$ 367,156,607	$ 343,312,669	$ 45,043,262	$ -	$ 298,269,407
Held in trust under coinsurance agreement					
Mortgage loans on real estate					
Commercial	$ 27,540,178	$ 27,540,178	$ -	$ -	$ 27,540,178
Less unearned interest on mortgage loans	122,337	122,337	-	-	122,337
Short-term investments	994,785	994,785	994,785	-	-
Cash and cash equivalents	2,075,412	2,075,412	2,075,412	-	-
Total financial assets held in trust under coinsurance agreement	$ 30,488,038	$ 30,488,038	$ 3,070,197	$ -	$ 27,417,841
Policyholders' account balances	$ 411,635,698	$ 361,791,698	$ -	$ -	$ 361,791,698
Policy claims	1,939,713	1,939,713	-	-	1,939,713
Total financial liabilities	$ 413,575,411	$ 363,731,411	$ -	$ -	$ 363,731,411
			December 31, 2022		
Financial assets					
Mortgage loans on real estate					
Commercial	$ 18,329,934	$ 17,393,284	$ -	$ -	$ 17,393,284
Residential	223,984,194	202,476,647	-	-	202,476,647
Policy loans	2,840,887	2,840,887	-	-	2,840,887
Short-term investments	1,860,578	1,860,578	1,860,578	-	-
Other long-term investments	67,500,783	74,155,822	-	-	74,155,822
Cash and cash equivalents	33,542,725	33,542,725	33,542,725	-	-
Accrued investment income	5,580,175	5,580,175	-	-	5,580,175
Total financial assets	$ 353,639,276	$ 337,850,118	$ 35,403,303	$ -	$ 302,446,815
Held in trust under coinsurance agreement					
Mortgage loans on real estate					
Commercial	$ 31,076,883	$ 31,076,883	$ -	$ -	$ 31,076,883
Less unearned interest on mortgage loan	48,308	48,308	-	-	48,308
Short-term investments	982,404	982,404	982,404	-	-
Cash and cash equivalents	3,813,750	3,813,750	3,813,750	-	-
Total financial assets held in trust under coinsurance agreement	$ 35,824,729	$ 35,824,729	$ 4,796,154	$ -	$ 31,028,575
Financial liabilities					
Policyholders' account balances	$ 391,359,944	$ 359,044,740	$ -	$ -	$ 359,044,740
Policy claims	2,541,088	2,541,088	-	-	2,541,088
Total financial liabilities	$ 393,901,032	$ 361,585,828	$ -	$ -	$ 361,585,828

3. Fair Value Measurements (continued)

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

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

Fixed Maturity and Equity Securities

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

Mortgage Loans on Real Estate

The fair values for mortgage loans are estimated using discounted cash flow analyses. For both residential and commercial mortgage loans, the discount rate used was indexed to the Secured Overnight Financing Rate as of June 30, 2023 and December 31, 2022.

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

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

Other Long-Term Investments

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

Investment Contracts – Policyholders' Account Balances

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

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

Policy Claims

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

4. Segment Data

The Company has a life insurance segment, consisting of the life insurance operations of TLIC, FBLIC and TAI, an annuity segment, consisting of the annuity operations of TLIC, FBLIC and TAI and a corporate segment. Results for the parent company and the operations of TMC, after elimination of intercompany amounts, are allocated to the corporate segment. These segments as of June 30, 2023 and December 31, 2022 and for the three and six months ended June 30, 2023 and 2022 are summarized as follows:

	Three Months Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
	2023	2022	2023	2022
Revenues:				
Life insurance operations	$ 11,252,874	$ 10,312,215	$ 22,078,689	$ 20,209,937
Annuity operations	5,708,580	4,756,226	11,789,734	10,712,086
Corporate operations	1,091,419	471,730	1,872,391	649,768
Total	$ 18,052,873	$ 15,540,171	$ 35,740,814	$ 31,571,791
Income (loss) before income taxes:				
Life insurance operations	$ 941,086	$ 1,304,128	$ 692,811	$ 1,172,865
Annuity operations	158,696	(29,852)	1,168,394	1,096,380
Corporate operations	799,414	499,742	1,285,918	634,332
Total	$ 1,899,196	$ 1,774,018	$ 3,147,123	$ 2,903,577
Depreciation and amortization expense:				
Life insurance operations	$ 1,933,322	$ 1,859,752	$ 3,689,837	$ 3,107,914
Annuity operations	398,214	292,358	731,352	485,388
Total	$ 2,331,536	$ 2,152,110	$ 4,421,189	$ 3,593,302

	(Unaudited) June 30, 2023	December 31, 2022
Assets:		
Life insurance operations	$ 154,277,024	$ 149,949,283
Annuity operations	524,271,828	505,990,810
Corporate operations	11,011,744	9,923,944
Total	$ 689,560,596	$ 665,864,037

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 2019 through 2021 U.S. federal tax years are subject to income tax examination by tax authorities. The Company classifies any interest and penalties (if applicable) as income tax expense in the financial statements.

6. Contingent Liabilities

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

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

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

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

The third lawsuit involves an insurance holding company and one of its insurance subsidiaries, which was instituted suit in District Court of Travis County, Texas, entitled Citizens, Inc., CICA Life Ltd., and CICA Life Insurance Company of America, Plaintiffs, v. Randall H. Riley, Citizens American Life, LLC, Citizens American Life, Inc., Alexis Enrique Delgado, Carlos Nalsen Landa, Enrique Pinzon Ruiz, Johan Emilio Mikuski Silva, Esperanza Peralta De Delgado, Michael P. Buchweitz, Jonathan M. Pollio, Steven A. Rekedal, First Trinity Financial Corporation, Trinity American, Inc., and International Marketing Group S.A., LLC, Defendants, against the Company and several associated persons on November 7, 2018. The plaintiffs accused the several defendants, including the Company and its subsidiary company, Trinity American, Inc. ("Trinity American") of misappropriating trade secrets under the Texas Uniform Trade Secrets Act. The plaintiffs have also alleged claims for common law unfair competition, civil conspiracy, and unjust enrichment against all of the defendants. The plaintiffs also alleged that Trinity American's predecessor entity tortiously interfered with the plaintiffs' contracts, and alleged several other causes of action, including breaches of contract and tortious interference with contract against the remaining defendants.

6. Contingent Liabilities (continued)

The causes of action all are alleged to have arisen from the alleged conduct of the various individual defendants, three of whom are former employees of the plaintiffs. The plaintiffs alleged that defendant Randall H. Riley and other terminated employees, after being terminated by the plaintiffs, worked on creating a competing business selling whole life insurance in international markets. Several of the individual defendants have counterclaimed against the plaintiffs seeking damages for breach of contract based on commissions they were denied when the plaintiffs wrongfully terminated their sales agreements. Mr. Riley died in October 2022. Trial of the case has been delayed indefinitely pending action from the Travis County Probate Court with respect to the estate of Mr. Riley. The Company believes the plaintiffs' claims against the Company are entirely without merit and it is conducting a vigorous defense. Management believes that the ultimate resolution of this lawsuit will not be material in relation to the Company's financial position or results of operations.

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

7. Line of Credit

On September 15, 2022, the Company did not renew its $1.5 million line of credit with a bank to provide working capital and funds for expansion. For the one-year period ending September 15, 2022, the Company's line of credit with a bank allowed for advances, repayments and re-borrowings. Any outstanding advances would have incurred 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 5.75%. The non-utilized portion of the $1.5 million line of credit would have been assessed a 1% non-usage fee calculated in arrears and paid at the maturity date. No amounts were outstanding on this line of credit during the years it was available.

8. 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 and six months ended June 30, 2023 and 2022 are summarized as follows:

	Three Months Ended June 30, 2023 and 2022 (Unaudited)		
	Unrealized Appreciation (Depreciation) on Available-For-Sale Securities	Adjustment to Deferred Acquisition Costs	Accumulated Other Comprehensive Income (Loss)
Balance as of April 1, 2023	$ (11,253,426)	$ 3,174	$ (11,250,252)
Other comprehensive loss before reclassifications, net of tax	(1,473,391)	287	(1,473,104)
Less amounts reclassified from accumulated other comprehensive income (loss) having no credit losses, net of tax	(24,712)	-	(24,712)
Other comprehensive loss	(1,448,679)	287	(1,448,392)
Balance as of June 30, 2023	$ (12,702,105)	$ 3,461	$ (12,698,644)
Balance as of April 1, 2022	$ 111,288	$ (31)	$ 111,257
Other comprehensive loss before reclassifications, net of tax	(9,880,855)	2,805	(9,878,050)
Less amounts reclassified from accumulated other comprehensive income (loss) having no credit losses, net of tax	(67,946)	-	(67,946)
Other comprehensive loss	(9,812,909)	2,805	(9,810,104)
Balance as of June 30, 2022	$ (9,701,621)	$ 2,774	$ (9,698,847)

	Six Months Ended June 30, 2023 and 2022 (Unaudited)		
	Unrealized Appreciation (Depreciation) on Available-For-Sale Securities	Adjustment to Deferred Acquisition Costs	Accumulated Other Comprehensive Income (Loss)
Balance as of January 1, 2023	$ (14,323,715)	$ 4,036	$ (14,319,679)
Cumulative effect adjustment as of January 1, 2023			
Accumulated credit loss January 1, 2023	230,036	-	230,036
Other comprehensive income before reclassifications, net of tax	1,352,388	(575)	1,351,813
Less amounts reclassified from accumulated other comprehensive income (loss) having no credit losses, net of tax	(39,186)	-	(39,186)
Other comprehensive income	1,391,574	(575)	1,390,999
Balance as of June 30, 2023	$ (12,702,105)	$ 3,461	$ (12,698,644)
Balance as of January 1, 2022	$ 13,209,319	$ (5,492)	$ 13,203,827
Other comprehensive loss before reclassifications, net of tax	(22,011,867)	8,266	(22,003,601)
Less amounts reclassified from accumulated other comprehensive income (loss) having no credit losses, net of tax	899,073	-	899,073
Other comprehensive loss	(22,910,940)	8,266	(22,902,674)
Balance as of June 30, 2022	$ (9,701,621)	$ 2,774	$ (9,698,847)

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

The pretax components of the Company's other comprehensive income (loss) and the related income tax expense (benefit) for each component for the three and six months ended June 30, 2023 and 2022 are summarized as follows:

	Three Months Ended June 30, 2023 (Unaudited)		
	Pretax	Income Tax Expense (Benefit)	Net of Tax
Other comprehensive loss:			
Change in net unrealized losses on available-for-sale securities:			
Unrealized holding losses arising during the period	$ (1,865,053)	$ (391,662)	$ (1,473,391)
Reclassification adjustment for net losses included in operations having no credit losses	(31,281)	(6,569)	(24,712)
Net unrealized losses on investments	(1,833,772)	(385,093)	(1,448,679)
Adjustment to deferred acquisition costs	363	76	287
Total other comprehensive loss	$ (1,833,409)	$ (385,017)	$ (1,448,392)

	Three Months Ended June 30, 2022 (Unaudited)		
	Pretax	Income Tax Expense (Benefit)	Net of Tax
Other comprehensive loss:			
Change in net unrealized losses on available-for-sale securities:			
Unrealized holding losses arising during the period	$ (12,507,412)	$ (2,626,557)	$ (9,880,855)
Reclassification adjustment for net losses included in operations having no credit losses	(86,008)	(18,062)	(67,946)
Net unrealized losses on investments	(12,421,404)	(2,608,495)	(9,812,909)
Adjustment to deferred acquisition costs	3,550	745	2,805
Total other comprehensive loss	$ (12,417,854)	$ (2,607,750)	$ (9,810,104)

	Six Months Ended June 30, 2023 (Unaudited)		
	Pretax	Income Tax Expense (Benefit)	Net of Tax
Other comprehensive income:			
Change in net unrealized losses on available-for-sale securities:			
Unrealized holding gains arising during the period	$ 1,711,883	$ 359,495	$ 1,352,388
Reclassification adjustment for net losses included in operations having no credit losses	(49,603)	(10,417)	(39,186)
Net unrealized gains on investments	1,761,486	369,912	1,391,574
Adjustment to deferred acquisition costs	(728)	(153)	(575)
Total other comprehensive income	$ 1,760,758	$ 369,759	$ 1,390,999

	Six Months Ended June 30, 2022 (Unaudited)		
	Pretax	Income Tax Expense (Benefit)	Net of Tax
Other comprehensive loss:			
Change in net unrealized losses on available-for-sale securities:			
Unrealized holding losses arising during the period	$ (27,863,123)	$ (5,851,256)	$ (22,011,867)
Reclassification adjustment for net gains included in operations having no credit losses	1,138,067	238,994	899,073
Net unrealized losses on investments	(29,001,190)	(6,090,250)	(22,910,940)
Adjustment to deferred acquisition costs	10,463	2,197	8,266
Total other comprehensive loss	$ (28,990,727)	$ (6,088,053)	$ (22,902,674)

8. 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 and six months ended June 30, 2023 and 2022 are summarized as follows:

	Three Months Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
Reclassification Adjustments	2023	2022	2023	2022
Unrealized gains (losses) on available-for-sale securities having no credit losses:				
Realized gains (losses) on sales of securities (a)	$ (31,281)	$ (86,008)	$ (49,603)	$ 1,138,067
Income tax expense (benefit) (b)	(6,569)	(18,062)	(10,417)	238,994
Total reclassification adjustments	$ (24,712)	$ (67,946)	$ (39,186)	$ 899,073

(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.

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

As of June 30, 2023, $889,493 of independent residential mortgage loans on real estate is held in escrow by a third party for the benefit of the Company. As of June 30, 2023, $820,058 of that escrow amount is available to the Company as additional collateral on $5,585,042 of advances to the loan originator. The remaining June 30, 2023 escrow amount of $69,435 is available to the Company as additional collateral on its investment of $13,887,039 in residential mortgage loans on real estate. In addition, the Company has an additional $1,159,874 allowance for possible loan losses in the remaining $230,815,159 of investments in mortgage loans on real estate as of June 30, 2023.

As of December 31, 2022, $753,648 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, 2022, $656,924 of that escrow amount is available to the Company as additional collateral on $4,743,041 of advances to the loan originator. The remaining December 31, 2022 escrow amount of $96,724 is available to the Company as additional collateral on its investment of $19,344,898 in mortgage loans on real estate. In addition, the Company has an additional $1,120,448 allowance for possible loan losses in the remaining $222,969,230 of investments in mortgage loans on real estate as of December 31, 2022.

As of June 30, 2023, the Company's Chairman, President and Chief Executive Officer has provided approximately $2,040,000 of loans to this mortgage loan originator.

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

The balances of and changes in the Company's credit losses related to mortgage loans on real estate as of and for the three and six months ended June 30, 2023 and 2022 are summarized as follows (excluding $13,887,039 and $29,599,012 of mortgage loans on real estate as of June 30, 2023 and 2022, respectively, with one loan originator where independent mortgage loan balances are held in escrow by a third party for the benefit of the Company):

	Unaudited					
	Three Months Ended June 30,					
	Residential Mortgage Loans		Commercial Mortgage Loans		Total	
	2023	2022	2023	2022	2023	2022
Allowance, beginning	$ 996,924	$ 728,229	$ 89,242	$ 61,990	$ 1,086,166	$ 790,219
Charge offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Provision	79,704	43,619	(5,996)	389	73,708	44,008
Allowance, ending	$ 1,076,628	$ 771,848	$ 83,246	$ 62,379	$ 1,159,874	$ 834,227
Allowance, ending:						
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	$ 1,076,628	$ 771,848	$ 83,246	$ 62,379	$ 1,159,874	$ 834,227
Carrying Values:						
Individually evaluated for reserve allowance	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for reserve allowance	$ 214,249,269	$ 152,577,793	$ 16,565,890	$ 13,433,344	$ 230,815,159	$ 166,011,137

	(Unaudited)					
	Six Months Ended June 30,					
	Residential Mortgage Loans		Commercial Mortgage Loans		Total	
	2023	2022	2023	2022	2023	2022
Allowance, beginning	$ 1,030,424	$ 675,162	$ 90,024	$ 31,357	$ 1,120,448	$ 706,519
Charge offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Provision	46,204	96,686	(6,778)	31,022	39,426	127,708
Allowance, ending	$ 1,076,628	$ 771,848	$ 83,246	$ 62,379	$ 1,159,874	$ 834,227
Allowance, ending:						
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	$ 1,076,628	$ 771,848	$ 83,246	$ 62,379	$ 1,159,874	$ 834,227
Carrying Values:						
Individually evaluated for reserve allowance	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for reserve allowance	$ 214,249,269	$ 152,577,793	$ 16,565,890	$ 13,433,344	$ 230,815,159	$ 166,011,137

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

The Company utilizes the ratio of the carrying value of individual 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 and industrial mortgage loans on real estate by credit quality using this ratio as of June 30, 2023 and December 31, 2022 are summarized as follows:

	Residential Mortgage Loans		Commercial Mortgage Loans		Total Mortgage Loans	
	(Unaudited)		(Unaudited)		(Unaudited)	
Loan-To-Value Ratio	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2021
Over 70% to 80%	$ 71,873,870	$ 72,013,555	$ 3,277,558	$ 3,287,048	$ 75,151,428	$ 75,300,603
Over 60% to 70%	70,388,789	67,780,388	2,096,274	3,033,504	72,485,063	70,813,892
Over 50% to 60%	38,824,937	36,929,025	1,701,016	1,839,272	40,525,953	38,768,297
Over 40% to 50%	21,600,588	20,100,407	2,101,651	1,272,088	23,702,239	21,372,495
Over 30% to 40%	12,285,794	13,143,773	4,567,223	5,123,894	16,853,017	18,267,667
Over 20% to 30%	8,450,356	8,898,731	482,742	733,238	8,933,098	9,631,969
Over 10% to 20%	3,298,400	3,976,357	1,892,621	3,040,890	5,191,021	7,017,247
10% or less	1,236,972	1,141,958	623,407	-	1,860,379	1,141,958
Total	$ 227,959,706	$ 223,984,194	$ 16,742,492	$ 18,329,934	$ 244,702,198	$ 242,314,128

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.

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

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

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

Critical Accounting Policies and Estimates

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

For a description of the Company's critical accounting policies and estimates, please refer to "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. The Company considers its most critical accounting estimates to be those applied to investments in fixed maturities securities, mortgage loans on real estate, deferred policy acquisition costs, value of insurance business acquired and future policy benefits. There has been a material change to the Company's critical accounting policies and estimates involving Investments in Fixed Maturity Securities and Mortgage Loans on Real Estate since December 31, 2022 involving the current estimates of credit losses related to the Company's first quarter 2023 adoption of Accounting Standards Update 2016-13 *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* and all related guidance dealing with the FASB's pronouncements dealing with changes in accounting for and recognizing credit losses. These revised critical accounting policies are summarized as follows:

Investments in Fixed Maturity Securities

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

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

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

Prior to 2023, the Company evaluated the difference between the amortized cost and estimated fair value of its fixed maturity investments to determine whether any decline in fair value was other-than-temporary in nature. This determination involved a degree of uncertainty. If a decline in the fair value of a fixed maturity security was determined to be temporary, the decline was recognized in other comprehensive income (loss) within shareholders' equity. If a decline in a security's fair value was considered to be other-than-temporary, we then determined the proper treatment for the other-than-temporary impairment. For fixed maturity securities, the amount of any other-than-temporary impairment related to a credit loss was recognized in earnings and reflected as a reduction in the cost basis of the security. The amount of any other-than-temporary impairment related to other factors was recognized in other comprehensive income (loss) with no change to the cost basis of the security. The assessment of whether a decline in fair value was considered temporary or other-than-temporary included management's judgment as to the financial position and future prospects of the entity issuing the security. It is not possible to accurately predict when it may be determined that a specific security will become impaired. If an other-than-temporary impairment related to a credit loss occurred with respect to a fixed maturity security, we amortized the reduced book value back to the security's expected recovery value over the remaining term of the fixed maturity investment.

Mortgage Loans on Real Estate

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

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

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

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

Prior to and continuing in 2023, the Company established a valuation allowance for mortgage loans on real estate that are not supported by funds held in escrow based on historical patterns. This allowance for possible loan losses from investments in mortgage loans on real estate continues to be a reserve established through a provision for possible loan losses charged to expense which represents, in our judgment, the known and inherent credit losses existing in the residential and commercial mortgage loan portfolio. This allowance, in the Company's judgment, is necessary to reserve for estimated loan losses inherent in the residential and commercial 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 this allowance is dependent upon a variety of factors beyond our control, including the performance of the residential and commercial mortgage loan portfolio, the economy and changes in interest rates. The allowance for possible mortgage loan losses consists of specific valuation allowances established for probable losses on specific loans and a portfolio reserve for probable incurred but not specifically identified loans.

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

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

Stock Purchase Agreement

On April 24, 2023, as approved by the FTFC Board of Directors, the Company executed a definitive agreement to be acquired by Brickell L & A Holdings LLC, a portfolio company of the Brickell Insurance Group of companies, and an affiliate of 777 Partners LLC. All the Company's Class A and Class B common stock (converted to Class A common stock at closing at a rate of 85%) issued and outstanding will be purchased from FTFC's shareholders for approximately $7.75 to $8.00 per Class A share. Closing of this transaction is expected in the fourth quarter 2023.

Adopted Accounting Standards

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

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

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

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

Troubled Debt Restructurings and Vintage Disclosures

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

Recent Accounting Pronouncements

Targeted Improvements to the Accounting for Long-Duration Contracts

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

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

Transition for Sold Contracts

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

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

Business Segments

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

Our business segments are as follows:

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

Please see below and Note 4 to the Consolidated Financial Statements for the six months ended June 30, 2023 and 2022 and as of June 30, 2023 and December 31, 2022 for additional information regarding segment information.

FINANCIAL HIGHLIGHTS
Consolidated Condensed Results of Operations for the Three Months Ended June 30, 2023 and 2022

	(Unaudited) Three Months Ended June 30, 2023	(Unaudited) Three Months Ended June 30, 2022	Amount Change 2023 less 2022
Premiums	$ 9,599,539	$ 8,914,138	$ 685,401
Net investment income	7,446,396	6,439,117	1,007,279
Net realized investment losses	(112,070)	(148,714)	36,644
Service fees	1,110,994	329,855	781,139
Other income	8,014	5,775	2,239
Total revenues	18,052,873	15,540,171	2,512,702
Benefits and claims	10,913,125	9,595,963	1,317,162
Expenses	5,240,552	4,170,190	1,070,362
Total benefits, claims and expenses	16,153,677	13,766,153	2,387,524
Income before federal income tax expense	1,899,196	1,774,018	125,178
Federal income tax expense	397,287	315,803	81,484
Net income	$ 1,501,909	$ 1,458,215	$ 43,694
Net income per common share			
Class A common stock	$ 0.1586	$ 0.1540	$ 0.0046
Class B common stock	$ 0.1348	$ 0.1309	$ 0.0039

Consolidated Condensed Results of Operations for the Six Months Ended June 30, 2023 and 2022

	(Unaudited) Six Months Ended June 30, 2023	(Unaudited) Six Months Ended June 30, 2022	Amount Change 2023 less 2022
Premiums	$ 18,707,848	$ 17,142,920	$ 1,564,928
Net investment income	15,074,212	12,888,112	2,186,100
Net realized investment gains (losses)	(143,521)	1,089,092	(1,232,613)
Service fees	2,093,842	387,395	1,706,447
Other income	8,433	64,272	(55,839)
Total revenues	35,740,814	31,571,791	4,169,023
Benefits and claims	22,284,195	20,385,499	1,898,696
Expenses	10,309,496	8,282,715	2,026,781
Total benefits, claims and expenses	32,593,691	28,668,214	3,925,477
Income before federal income tax expense	3,147,123	2,903,577	243,546
Federal income tax expense	630,118	532,827	97,291
Net income	$ 2,517,005	$ 2,370,750	$ 146,255
Net income per common share			
Class A common stock	$ 0.2658	$ 0.2503	$ 0.0155
Class B common stock	$ 0.2259	$ 0.2128	$ 0.0131

Consolidated Condensed Financial Position as of June 30, 2023 and December 31, 2022

	(Unaudited) June 30, 2023	December 31, 2022	Amount Change 2023 to 2022
Investment assets	$ 444,657,267	$ 442,069,335	$ 2,587,932
Assets held in trust under coinsurance agreement	87,674,439	92,033,769	(4,359,330)
Other assets	157,228,890	131,760,933	25,467,957
Total assets	$ 689,560,596	$ 665,864,037	$ 23,696,559
Policy liabilities	$ 530,026,570	$ 504,059,423	$ 25,967,147
Funds withheld under coinsurance agreement	87,664,950	92,301,039	(4,636,089)
Deferred federal income taxes	3,422,287	2,677,411	744,876
Other liabilities	12,886,273	15,173,652	(2,287,379)
Total liabilities	634,000,080	614,211,525	19,788,555
Shareholders' equity	55,560,516	51,652,512	3,908,004
Total liabilities and shareholders' equity	$ 689,560,596	$ 665,864,037	$ 23,696,559
Shareholders' equity per common share			
Class A common stock	$ 5.8668	$ 5.4542	$ 0.4126
Class B common stock	$ 4.9868	$ 4.6360	$ 0.3508

Results of Operations – Three Months Ended June 30, 2023 and 2022

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 June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Three Months Ended June 30, 2023	(Unaudited) Three Months Ended June 30, 2022	Amount Change 2023 less 2022
Premiums	$ 9,599,539	$ 8,914,138	$ 685,401
Net investment income	7,446,396	6,439,117	1,007,279
Net realized investment losses	(112,070)	(148,714)	36,644
Service fees	1,110,994	329,855	781,139
Other income	8,014	5,775	2,239
Total revenues	$ 18,052,873	$ 15,540,171	$ 2,512,702

The $2,512,702 increase in total revenues for the three months ended June 30, 2023 is discussed below.

Premiums

Our premiums for the three months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Three Months Ended June 30, 2023	(Unaudited) Three Months Ended June 30, 2022	Amount Change 2023 less 2022
Ordinary life first year	$ 768,890	$ 645,884	$ 123,006
Ordinary life renewal	1,667,965	1,249,460	418,505
Final expense first year	884,738	1,115,099	(230,361)
Final expense renewal	6,277,946	5,903,695	374,251
Total premiums	$ 9,599,539	$ 8,914,138	$ 685,401

The $685,401 increase in premiums for the three months ended June 30, 2023 is primarily due to a $418,505 increase in ordinary life renewal premiums, $374,251 increase in final expense renewal premiums, $123,006 increase in ordinary life first year premiums that exceeded a $230,361 decrease in final expense first year premiums.

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

Net Investment Income

The major components of our net investment income for the three months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Three Months Ended June 30, 2023	(Unaudited) Three Months Ended June 30, 2022	Amount Change 2023 less 2022
Fixed maturity securities	$ 1,473,021	$ 1,734,933	$ (261,912)
Equity securities	77,860	48,026	29,834
Other long-term investments	1,287,139	1,211,486	75,653
Mortgage loans	4,594,059	4,103,208	490,851
Policy loans	57,384	48,755	8,629
Short-term and other investments	774,735	25,434	749,301
Gross investment income	8,264,198	7,171,842	1,092,356
Investment expenses	(817,802)	(732,725)	85,077
Net investment income	$ 7,446,396	$ 6,439,117	$ 1,007,279

The $1,092,356 increase in gross investment income for the three months ended June 30, 2023 is primarily due to $749,301 increase in short term and other investments, $490,851 increase in mortgage loans that exceeded a $261,912 decrease in fixed maturity securities.

The increase in short term and other investments is due to higher gross effective yields on securities held in the portfolio and other investments. In twelve months since June 30, 2022, our investments in mortgage loans increased approximately $49.1 million and investments in fixed maturity securities decreased approximately $22.7 million.

Net Realized Investment Losses

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

Our net realized investment gains for the three months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Three Months Ended June 30,		Amount Change
	2023	2022	2023 less 2022
Fixed maturity securities available-for-sale:			
Sale proceeds	$ 730,108	$ 10,116,397	$ (9,386,289)
Amortized cost at sale date	761,389	10,202,405	(9,441,016)
Net realized losses	$ (31,281)	$ (86,008)	$ 54,727
Equity securities, changes in fair value	$ (4,080)	$ (62,706)	$ 58,626
Changes in current estimate of credit losses	$ (76,709)	$ -	$ (76,709)
Net realized investment losses	$ (112,070)	$ (148,714)	$ 36,644

Service Fees

The $781,139 increase in service fees for the three months ended June 30, 2023 is primarily due to an increase in fees from Trinity Mortgage Corporation brokering mortgage loans for a fee to third parties.

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 June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Three Months Ended June 30,		Amount Change
	2023	2022	2023 less 2022
Benefits and claims			
Increase in future policy benefits	$ 3,195,351	$ 2,961,862	$ 233,489
Death benefits	3,156,135	2,885,203	270,932
Surrenders	668,266	438,425	229,841
Interest credited to policyholders	3,805,863	3,230,421	575,442
Dividend, endowment and supplementary life contract benefits	87,510	80,052	7,458
Total benefits and claims	10,913,125	9,595,963	1,317,162
Expenses			
Policy acquisition costs deferred	(3,664,613)	(3,408,839)	(255,774)
Amortization of deferred policy acquisition costs	2,258,279	2,085,355	172,924
Amortization of value of insurance business acquired	73,257	66,755	6,502
Commissions	3,433,682	3,074,504	359,178
Other underwriting, insurance and acquisition expenses	3,139,947	2,352,415	787,532
Total expenses	5,240,552	4,170,190	1,070,362
Total benefits, claims and expenses	$ 16,153,677	$ 13,766,153	$ 2,387,524

The $2,387,524 increase in total benefits, claims and expenses for the three months ended June 30, 2023 is discussed below.

Benefits and Claims

The $1,317,162 increase in benefits and claims for the three months ended June 30, 2023 is primarily due to the following:

- $575,442 increase in interest credited to policyholders is primarily due to an increase of approximately $40.3 million in the amount of policyholders’ account balance in the consolidated statement of financial position since June 30, 2022.

- $270,932 increase in death benefits is primarily due to approximately $292,000 of increased final expense benefits that exceeded $22,000 of decreased ordinary life benefits.

- $229,841 increase in surrenders is based upon policyholder election and corresponds to the growth in the number of policies in force.

- $233,489 increase in future policy benefits is primarily due to the increased number of life policies in force and the aging of existing life policies.

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 June 30, 2023 and 2022, capitalized costs were $3,664,613 and $3,408,839, respectively. Amortization of deferred policy acquisition costs for the three months ended June 30, 2023 and 2022 were $2,258,279 and $2,085,355, respectively.

There was a $255,774 increase in 2023 acquisition costs deferred primarily relates to increased annuity production with a corresponding increase in deferral of eligible annuity commissions. There was a $172,924 increase in the 2023 amortization of deferred acquisition costs due to 2023 surrenders and withdrawal activity and the impact of mortality.

Amortization of Value of Insurance Business Acquired

The cost of acquiring insurance business is amortized over the emerging profit of the related policies using the same assumptions that were used in computing liabilities for future policy benefits. Amortization of the value of insurance business acquired was $73,257 and $66,755 for the three months ended June 30, 2023 and 2022, respectively, representing a $6,502 increase.

Commissions

Our commissions for the three months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Three Months Ended June 30, 2023	(Unaudited) Three Months Ended June 30, 2022	Amount Change 2023 less 2022
Annuity	$ 786,243	$ 404,848	$ 381,395
Ordinary life first year	803,820	657,203	146,617
Ordinary life renewal	179,631	104,864	74,767
Final expense first year	1,073,214	1,338,264	(265,050)
Final expense renewal	590,774	569,325	21,449
Total commissions	$ 3,433,682	$ 3,074,504	$ 359,178

The $359,178 increase in commissions for the three months ended June 30, 2023 is primarily due to a $381,395 increase annuity commissions (corresponding to $12,638,754 of increased annuity deposits retained) and a $146,617 increase in ordinary life first year commissions (corresponding to $123,006 increased ordinary life first year premiums) that exceed a $265,050 decrease in final expense first year commissions (corresponding to $230,361 decreased final expense first year premiums).

Other Underwriting, Insurance and Acquisition Expenses

The $787,532 increase in other underwriting, insurance and acquisition expenses for the three months ended June 30, 2023 was primarily related to an increase in third party administrative fees, advisor fees and legal fees.

Federal Income Taxes

FTFC filed its 2021 consolidated federal income tax return with TLIC, FBLIC and TMC. Certain items included in income reported for financial statement purposes are not included in taxable income for the current period, resulting in deferred income taxes.

For the three months ended June 30, 2023 and 2022, current income tax expense (benefit) was $109,128 and ($6,054), respectively. For the three months ended June 30, 2023 and 2022, deferred federal income tax expense was $288,159 and $321,857, respectively.

Net Income Per Common Share Basic

For the three months ended June 30, 2023 and 2022, the net income allocated to the Class B shareholders is the total net income multiplied by the right to receive dividends at 85% for Class B shares (85,937) as of the reporting date divided by the allocated total shares (9,470,277) of Class A shares (9,384,340) and Class B shares (85,937) as of the reporting date.

For the three months ended June 30, 2023, the net income allocated to the Class A shareholders of $1,488,280 is the total net income $1,501,909 less the net income allocated to the Class B shareholders $13,629. For the three months ended June 30, 2022, the net income allocated to the Class A shareholders of $1,444,983 is the total net income $1,458,215 less the net income allocated to the Class B shareholders $13,232.

The weighted average outstanding common shares basic for the three months ended June 30, 2023 and 2022 were 9,384,340 for Class A shares and 101,102 for Class B shares.

Business Segments

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

The revenues and income before federal income taxes from our business segments for the three months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited)		
	Three Months Ended June 30,		Amount Change
	2023	2022	2023 less 2022
Revenues:			
Life insurance operations	$ 11,252,874	$ 10,312,215	$ 940,659
Annuity operations	5,708,580	4,756,226	952,354
Corporate operations	1,091,419	471,730	619,689
Total	$ 18,052,873	$ 15,540,171	$ 2,512,702
Income (loss) before federal income taxes:			
Life insurance operations	$ 941,086	$ 1,304,128	$ (363,042)
Annuity operations	158,696	(29,852)	188,548
Corporate operations	799,414	499,742	299,672
Total	$ 1,899,196	$ 1,774,018	$ 125,178

The increases and decreases of revenues and profitability from our business segments for the three months ended June 30, 2023 and 2022 are summarized as follows:

	Life Insurance Operations	Annuity Operations	Corporate Operations	Total
Revenues				
Premiums	$ 685,401	$ -	$ -	$ 685,401
Net investment income	205,485	762,602	39,192	1,007,279
Net realized investment gains	2,534	34,110	-	36,644
Service fees and other income	47,239	155,642	580,497	783,378
Total revenue	940,659	952,354	619,689	2,512,702
Benefits and claims				
Increase in future policy benefits	233,489	-	-	233,489
Death benefits	270,932	-	-	270,932
Surrenders	229,841	-	-	229,841
Interest credited to policyholders	-	575,442	-	575,442
Dividend, endowment and supplementary life contract benefits	7,458	-	-	7,458
Total benefits and claims	741,720	575,442	-	1,317,162
Expenses				
Policy acquisition costs deferred net of amortization	349,755	(432,605)	-	(82,850)
Amortization of value of insurance business acquired	3,251	3,251	-	6,502
Commissions	(22,217)	381,395	-	359,178
Other underwriting, insurance and acquisition expenses	231,192	236,323	320,017	787,532
Total expenses	561,981	188,364	320,017	1,070,362
Total benefits, claims and expenses	1,303,701	763,806	320,017	2,387,524
Income (loss) before federal income taxes (benefits)	$ (363,042)	$ 188,548	$ 299,672	$ 125,178

Results of Operations – Six Months Ended June 30, 2023 and 2022

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 six months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Six Months Ended June 30, 2023	2022	Amount Change 2023 less 2022
Premiums	$ 18,707,848	$ 17,142,920	$ 1,564,928
Net investment income	15,074,212	12,888,112	2,186,100
Net realized investment gains (losses)	(143,521)	1,089,092	(1,232,613)
Service fees	2,093,842	387,395	1,706,447
Other income	8,433	64,272	(55,839)
Total revenues	$ 35,740,814	$ 31,571,791	$ 4,169,023

The $4,169,023 increase in total revenues for the six months ended June 30, 2023 is discussed below.

Premiums

Our premiums for the six months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Six Months Ended June 30, 2023	(Unaudited) Six Months Ended June 30, 2022	Amount Change 2023 less 2022
Ordinary life first year	$ 1,427,505	$ 1,104,023	$ 323,482
Ordinary life renewal	3,007,378	2,149,435	857,943
Final expense first year	1,765,819	2,351,474	(585,655)
Final expense renewal	12,507,146	11,537,988	969,158
Total premiums	$ 18,707,848	$ 17,142,920	$ 1,564,928

The $1,564,928 increase in premiums for the six months ended June 30, 2023 is primarily due to a $969,158 increase in final expense renewal premiums, $857,943 increase in ordinary life renewal premiums, $323,482 increase in ordinary life first year premiums that exceeded a $585,655 decrease in final expense first year premiums.

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

Net Investment Income

The major components of our net investment income for the six months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Six Months Ended June 30, 2023	(Unaudited) Six Months Ended June 30, 2022	Amount Change 2023 less 2022
Fixed maturity securities	$ 3,033,054	$ 3,670,687	$ (637,633)
Equity securities	106,115	113,099	(6,984)
Other long-term investments	2,647,469	2,523,180	124,289
Mortgage loans	9,318,415	7,881,233	1,437,182
Policy loans	113,960	92,077	21,883
Short-term and other investments	1,269,413	46,706	1,222,707
Gross investment income	16,488,426	14,326,982	2,161,444
Investment expenses	(1,414,214)	(1,438,870)	(24,656)
Net investment income	$ 15,074,212	$ 12,888,112	$ 2,186,100

The $2,161,444 increase in gross investment income for the six months ended June 30, 2023 is primarily due $1,437,182 increase in mortgage loans and a $1,222,707 increase in short term and other investments that exceeded a $637,633 decrease in fixed maturity securities.

The increase in short term and other investments is due to higher gross effective yields on securities held in the portfolio and other investments. In twelve months since June 30, 2022, our investments in mortgage loans increased approximately $49.1 million and investments in fixed maturity securities decreased approximately $22.7 million.

Net Realized Investment Gains (Losses)

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

Our net realized investment gains for the six months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Six Months Ended June 30, 2023	(Unaudited) Six Months Ended June 30, 2022	Amount Change 2023 less 2022
Fixed maturity securities available-for-sale:			
Sale proceeds	$ 2,513,558	$ 41,066,357	$ (38,552,799)
Amortized cost at sale date	2,563,161	39,928,290	(37,365,129)
Net realized gains (losses)	$ (49,603)	$ 1,138,067	$ (1,187,670)
Equity securities sold:			
Sale proceeds	$ -	$ -	$ -
Cost at sale date	-	8,000	(8,000)
Net realized losses	$ -	$ (8,000)	$ 8,000
Investment real estate:			
Sale proceeds	$ -	$ 49,371	$ (49,371)
Carrying value at sale date	-	53,067	(53,067)
Net realized losses	$ -	$ (3,696)	$ 3,696
Equity securities, changes in fair value	$ (10,286)	$ (37,279)	$ 26,993
Changes in current estimate of credit losses	$ (83,632)	$ -	$ (83,632)
Net realized investment gains (losses)	$ (143,521)	$ 1,089,092	$ (1,232,613)

Service Fees

The $1,706,447 increase in service fees for the six months ended June 30, 2023 is primarily due to an increase in fees from Trinity Mortgage Corporation brokering mortgage loans for a fee to third parties.

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 six months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Six Months Ended June 30,		Amount Change
	2023	2022	2023 less 2022
Benefits and claims			
Increase in future policy benefits	$ 6,483,015	$ 6,176,835	$ 306,180
Death benefits	7,109,297	6,891,443	217,854
Surrenders	1,101,132	753,815	347,317
Interest credited to policyholders	7,421,969	6,406,557	1,015,412
Dividend, endowment and supplementary life contract benefits	168,782	156,849	11,933
Total benefits and claims	22,284,195	20,385,499	1,898,696
Expenses			
Policy acquisition costs deferred	(7,400,224)	(6,261,719)	(1,138,505)
Amortization of deferred policy acquisition costs	4,279,690	3,454,338	825,352
Amortization of value of insurance business acquired	141,499	138,964	2,535
Commissions	6,993,690	5,735,633	1,258,057
Other underwriting, insurance and acquisition expenses	6,294,841	5,215,499	1,079,342
Total expenses	10,309,496	8,282,715	2,026,781
Total benefits, claims and expenses	$ 32,593,691	$ 28,668,214	$ 3,925,477

The $3,925,477 increase in total benefits, claims and expenses for the six months ended June 30, 2023 is discussed below.

Benefits and Claims

The $1,898,696 increase in benefits and claims for the six months ended June 30, 2023 is primarily due to the following:

- $1,015,412 increase in interest credited to policyholders is primarily due to an increase of approximately $40.3 million in the amount of policyholders' account balance in the consolidated statement of financial position since June 30, 2022.

- $347,317 increase in surrenders is based upon policyholder election and corresponds to the growth in the number of policies in force.

- $306,180 increase in future policy benefits is primarily due to the increased number of life policies in force and the aging of existing life policies.

- $217,854 increase in death benefits is primarily due to approximately $447,000 of increased ordinary life benefits that exceeded $231,000 of decreased final expense benefits.

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 insurance and annuity contracts.

For the six months ended June 30, 2023 and 2022, capitalized costs were $7,400,224 and $6,261,719, respectively. Amortization of deferred policy acquisition costs for the six months ended June 30, 2023 and 2022 were $4,279,690 and $3,454,338, respectively.

There was a $1,138,505 increase in 2023 acquisition costs deferred primarily relates to increased annuity production with a corresponding increase in deferral of eligible annuity commissions. There was a $825,352 increase in the 2023 amortization of deferred acquisition costs due to 2023 surrenders and withdrawal activity and the impact of mortality.

Amortization of Value of Insurance Business Acquired

The cost of acquiring insurance business is amortized over the emerging profit of the related policies using the same assumptions that were used in computing liabilities for future policy benefits. Amortization of the value of insurance business acquired was $141,499 and $138,964 for the six months ended June 30, 2023 and 2022, respectively, representing a $2,535 increase.

Commissions

Our commissions for the six months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited)		
	Six Months Ended June 30,		Amount Change
	2023	2022	2023 less 2022
Annuity	$ 1,867,527	$ 464,317	$ 1,403,210
Ordinary life first year	1,469,260	1,150,003	319,257
Ordinary life renewal	320,776	194,793	125,983
Final expense first year	2,147,025	2,812,929	(665,904)
Final expense renewal	1,189,102	1,113,591	75,511
Total commissions	$ 6,993,690	$ 5,735,633	$ 1,258,057

The $1,258,057 increase in commissions for the six months ended June 30, 2023 is primarily due to a $1,403,210 increase annuity commissions (corresponding to $39,690,847 of increased annuity deposits retained), $319,257 increase in ordinary life first year commissions (corresponding to $323,482 increased ordinary life first year premiums) and a $125,983 increase in ordinary life renewal commissions (corresponding to $857,943 increased ordinary life renewal premiums) that exceed a $665,904 decrease in final expense first year commissions (corresponding to $585,655 decreased final expense first year premiums).

Underwriting, Insurance and Acquisition Expenses

The $1,079,342 increase in other underwriting, insurance and acquisition expenses for the six months ended June 30, 2023 was primarily related to an increase in salaries and benefits, third party administrative fees, advisor fees and legal fees.

Federal Income Taxes

FTFC filed its 2021 consolidated federal income tax return with TLIC, FBLIC and TMC. Certain items included in income reported for financial statement purposes are not included in taxable income for the current period, resulting in deferred income taxes.

For the six months ended June 30, 2023 and June 30, 2022, current income tax expense was $255,001 and $2,216. Deferred federal income tax expense was $375,117 and $530,611 for the six months ended June 30, 2023 and 2022, respectively.

Net Income Per Common Share Basic

For the six months ended June 30, 2023 and 2022, the net income allocated to the Class B shareholders is the total net income multiplied by the right to receive dividends at 85% for Class B shares (85,937) as of the reporting date divided by the allocated total shares (9,470,277) of Class A shares (9,384,340) and Class B shares (85,937) as of the reporting date.

For the six months ended June 30, 2023, the net income allocated to the Class A shareholders of $2,494,165 is the total net income $2,517,005 less the net income allocated to the Class B shareholders $22,840. For the six months ended June 30, 2022, the net income allocated to the Class A shareholders of $2,349,237 is the total net income $2,370,750 less the net income allocated to the Class B shareholders $21,513.

The weighted average outstanding common shares basic for the six months ended June 30, 2023 and 2022 were 9,384,340 for Class A shares and 101,102 for Class B shares.

Business Segments

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

The revenues and income before federal income taxes from our business segments for the six months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Six Months Ended June 30,		Amount Change
	2023	2022	2023 less 2022
Revenues:			
Life insurance operations	$ 22,078,689	$ 20,209,937	$ 1,868,752
Annuity operations	11,789,734	10,712,086	1,077,648
Corporate operations	1,872,391	649,768	1,222,623
Total	$ 35,740,814	$ 31,571,791	$ 4,169,023
Income (loss) before income taxes:			
Life insurance operations	$ 692,811	$ 1,172,865	$ (480,054)
Annuity operations	1,168,394	1,096,380	72,014
Corporate operations	1,285,918	634,332	651,586
Total	$ 3,147,123	$ 2,903,577	$ 243,546

The increases and decreases of revenues and profitability from our business segments for the six months ended June 30, 2023 and 2022 are summarized as follows:

	Life Insurance Operations	Annuity Operations	Corporate Operations	Total
Revenues				
Premiums	$ 1,564,928	$ -	$ -	$ 1,564,928
Net investment income	459,998	1,624,474	101,628	2,186,100
Net realized investment gains (losses)	(273,253)	(967,360)	8,000	(1,232,613)
Service fees and other income	117,079	420,534	1,112,995	1,650,608
Total revenue	1,868,752	1,077,648	1,222,623	4,169,023
Benefits and claims				
Increase in future policy benefits	306,180	-	-	306,180
Death benefits	217,854	-	-	217,854
Surrenders	347,317	-	-	347,317
Interest credited to policyholders	-	1,015,412	-	1,015,412
Dividend, endowment and supplementary life contract benefits	11,933	-	-	11,933
Total benefits and claims	883,284	1,015,412	-	1,898,696
Expenses				
Policy acquisition costs deferred net of amortization	1,228,300	(1,541,453)	-	(313,153)
Amortization of value of insurance business acquired	1,268	1,267	-	2,535
Commissions	(145,153)	1,403,210	-	1,258,057
Other underwriting, insurance and acquisition expenses	381,107	127,198	571,037	1,079,342
Total expenses	1,465,522	(9,778)	571,037	2,026,781
Total benefits, claims and expenses	2,348,806	1,005,634	571,037	3,925,477
Income before federal income taxes (benefits)	$ (480,054)	$ 72,014	$ 651,586	$ 243,546

Consolidated Financial Condition

Our invested assets as of June 30, 2023 and December 31, 2022 are summarized as follows:

	(Unaudited) June 30, 2023	December 31, 2022	Amount Change 2023 less 2022
Assets			
Investments			
Available-for-sale fixed maturity securities at fair value (amortized cost: $141,926,006 and $144,744,158 as of June 30, 2023 and December 31, 2022, respectively)	$ 125,847,409	$ 126,612,890	$ (765,481)
Equity securities at fair value (cost: $289,964 and $276,131 as of June 30, 2023 and December 31, 2022, respectively)	403,180	399,633	3,547
Mortgage loans on real estate	244,702,198	242,314,128	2,388,070
Investment real estate	540,436	540,436	-
Policy loans	3,075,385	2,840,887	234,498
Short-term investments	2,100,482	1,860,578	239,904
Other long-term investments	67,988,177	67,500,783	487,394
Total investments	$ 444,657,267	$ 442,069,335	$ 2,587,932

The decrease in fixed maturity available-for-sale securities for the six months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Six Months Ended June 30, 2023	2022
Fixed maturity securities, available-for-sale, beginning	$ 126,612,890	$ 184,077,038
Purchases	223,594	33,600,214
Unrealized apprciation (depreciation)	1,761,486	(29,001,190)
Net realized investment gains (losses)	(133,235)	1,138,067
Sales proceeds	(2,158,558)	(40,114,357)
Maturities	(355,000)	(952,000)
Premium amortization	(103,768)	(189,143)
Decrease	(765,481)	(35,518,409)
Fixed maturity securities, available-for-sale, ending	$ 125,847,409	$ 148,558,629

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 (Loss)." The available-for-sale fixed maturity securities portfolio is invested primarily in a variety of U.S. government, U.S. government agencies, state and political subdivisions, commercial and residential mortgage-backed securities, corporate bonds, asset-backed securities, exchange traded securities, foreign bonds and redeemable preferred securities.

The increase and decrease in equity securities for the six months ended June 30, 2023 and 2022, respectively, are summarized as follows:

	(Unaudited) Six Months Ended June 30, 2023	2022
Equity securities, beginning	$ 399,633	$ 348,218
Purchases	63,479	112,517
Joint venture distributions	(49,646)	(97,804)
Net realized investment gains (losses), sale of securities	-	(8,000)
Net realized investment losses, changes in fair value	(10,286)	(37,279)
Increase (decrease)	3,547	(30,566)
Equity securities, ending	$ 403,180	$ 317,652

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 increase in mortgage loans on real estate for the six months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Six Months Ended June 30,	
	2023	2022
Mortgage loans on real estate, beginning	$ 242,314,128	$ 177,508,051
Purchases	74,416,806	71,372,265
Discount accretion	(25,405)	66,126
Payments	(71,963,905)	(53,208,585)
Increase in allowance for bad debts	(39,426)	(127,708)
Increase	2,388,070	18,102,098
Mortgage loans on real estate, ending	$ 244,702,198	$ 195,610,149

The decrease in investment real estate for the six months ended June 30, 2022 is summarized as follows:

	(Unaudited) Six Months Ended June 30,	
	2023	2022
Investment real estate, beginning	$ 540,436	$ 688,345
Sales proceeds	-	(49,371)
Net realized investment losses	-	(3,696)
Decrease	-	(53,067)
Investment real estate, ending	$ 540,436	$ 635,278

The increase and decrease in other long-term investments (composed of lottery receivables) for the six months ended June 30, 2023 and 2022, respectively, are summarized as follows:

	(Unaudited) Six Months Ended June 30,	
	2023	2022
Other long-term investments, beginning	$ 67,500,783	$ 65,929,215
Purchases	5,523,698	4,306,740
Accretion of discount	2,647,608	2,523,506
Payments	(7,683,912)	(8,726,389)
Increase (decrease)	487,394	(1,896,143)
Other long-term investments, ending	$ 67,988,177	$ 64,033,072

Our assets other than invested assets as of June 30, 2023 and December 31, 2022 are summarized as follows:

	(Unaudited) June 30, 2023	December 31, 2022	Amount Change 2023 less 2022
Cash and cash equivalents	$ 42,942,780	$ 33,542,725	$ 9,400,055
Accrued investment income	6,347,585	5,580,175	767,410
Recoverable from reinsurers	10,675,060	11,102,875	(427,815)
Assets held in trust under coinsurance agreement	87,674,439	92,033,769	(4,359,330)
Agents' balances and due premiums	1,297,556	1,253,077	44,479
Deferred policy acquisition costs	59,303,591	56,183,785	3,119,806
Value of insurance business acquired	3,906,606	4,048,105	(141,499)
Other assets	32,755,712	20,050,191	12,705,521
Assets other than investment assets	$ 244,903,329	$ 223,794,702	$ 21,108,627

The $9,400,055 increase in cash and cash equivalents is discussed below in the "Liquidity and Capital Resources" section where cash flows are addressed.

The $4,359,330 decrease in assets held in trust under the coinsurance agreement is due to a reduction in assets under TLIC's annuity coinsurance agreement with an offshore annuity and life insurance company that is administered on a funds withheld basis.

The increase in deferred policy acquisition costs for the six months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Six Months Ended June 30, 2023	(Unaudited) Six Months Ended June 30, 2022
Balance, beginning of year	$ 56,183,785	$ 49,717,323
Capitalization of commissions, sales and issue expenses	7,400,224	6,261,719
Amortization	(4,279,690)	(3,454,338)
Deferred acquisition costs allocated to investments	(728)	10,463
Increase	3,119,806	2,817,844
Balance, end of period	$ 59,303,591	$ 52,535,167

Our other assets as of June 30, 2023 and December 31, 2022 are summarized as follows:

	(Unaudited) June 30, 2023	December 31, 2022	Amount Change 2023 less 2022
Federal and state income taxes recoverable	$ 10,713,472	$ 8,887,609	$ 1,825,863
Short-term investment receivable	10,076,477	-	10,076,477
Advances to mortgage loan originator	5,585,042	4,743,041	842,001
Advances to an independently owned investment firm	5,000,000	5,000,000	-
Guaranty funds	690,419	699,865	(9,446)
Lease asset - right to use	418,321	467,536	(49,215)
Other receivables, prepaid assets and deposits	220,402	194,737	25,665
Notes receivable	51,579	57,403	(5,824)
Total other assets	$ 32,755,712	$ 20,050,191	$ 12,705,521

As of June 30, 2023, the Company had $10,076,477 in short-term investment purchases where the trade date and settlement date are in different financial reporting periods.

There was a $1,825,863 increase in federal and state income taxes recoverable primarily due to federal and state tax withholdings on lottery receivables.

There was a $842,001 increase in advances to one mortgage loan originator who acquires residential mortgage loans for our life companies.

Our liabilities as of June 30, 2023 and December 31, 2022 are summarized as follows:

	(Unaudited) June 30, 2023	December 31, 2022	Amount Change 2023 less 2022
Policy liabilities			
Policyholders' account balances	$ 411,635,698	$ 391,359,944	$ 20,275,754
Future policy benefits	116,153,377	110,012,174	6,141,203
Policy claims	1,939,713	2,541,088	(601,375)
Other policy liabilities	297,782	146,217	151,565
Total policy liabilities	530,026,570	504,059,423	25,967,147
Funds withheld under coinsurance agreement	87,664,950	92,301,039	(4,636,089)
Deferred federal income taxes	3,422,287	2,677,411	744,876
Other liabilities	12,886,273	15,173,652	(2,287,379)
Total liabilities	$ 634,000,080	$ 614,211,525	$ 19,788,555

The increase and decrease in policyholders' account balances for the six months ended June 30, 2023 and 2022, respectively, are summarized as follows:

	(Unaudited) Six Months Ended June 30, 2023	2022
Policyholders' account balances, beginning	$ 391,359,944	$ 373,647,869
Deposits	57,781,005	18,546,018
Withdrawals	(52,345,302)	(33,475,021)
Change in funds withheld under coinsurance agreement	7,418,082	3,186,338
Acquisition of Royalty Capital Life Insurance Company	-	3,019,610
Interest credited	7,421,969	6,406,557
Increase (decrease)	20,275,754	(2,316,498)
Policyholders' account balances, ending	$ 411,635,698	$ 371,331,371

The $6,141,203 increase in future policy benefits during the six months ended June 30, 2023 is primarily related to the production of new life insurance policies and the aging of existing policies an additional year.

The $744,876 increase in deferred federal income taxes during the six months ended June 30, 2023 was due to $369,759 of increased deferred federal income taxes on the unrealized appreciation of fixed maturity securities and preferred stock securities available-for-sale and $375,117 of operating deferred federal tax expense.

The $4,636,089 decrease in funds withheld under coinsurance agreement is due to the Company owing the reinsurer less under coinsurance agreement with an offshore annuity and life insurance company.

The $601,375 decrease in policy claims liability is primarily due to a decrease in claims in course of settlement.

Our other liabilities as of June 30, 2023 and December 31, 2022 are summarized as follows:

	(Unaudited) June 30, 2023	December 31, 2022	Amount Change 2023 less 2022
Mortgage loans suspense	$ 6,554,005	$ 2,655,185	$ 3,898,820
Suspense accounts payable	2,772,339	9,706,063	(6,933,724)
Payable for securities purchased	1,147,441	390,508	756,933
Accrued expenses payable	807,000	830,000	(23,000)
Guaranty fund assessments	681,000	681,000	-
Lease liability	418,321	467,536	(49,215)
Unclaimed funds	350,449	338,204	12,245
Accounts payable	137,350	80,964	56,386
Unearned investment income	107,287	105,236	2,051
Deferred revenue	46,750	52,250	(5,500)
Other payables, withholdings and escrows	(135,669)	(133,294)	(2,375)
Total other liabilities	$ 12,886,273	$ 15,173,652	$ (2,287,379)

The increase in mortgage loan suspense of $3,898,820 is primarily due to timing of principal loan payments on mortgage loans.

The $6,933,724 decrease in suspense accounts payable is due to decreased deposits on policy applications that had not been issued as of the financial reporting date.

As of June 30, 2023, the Company had $1,147,441 in security purchases where the trade date and settlement date were in different financial reporting periods compared to $390,508 of security purchases overlapping financial reporting periods as of December 31, 2022.

Liquidity and Capital Resources

Our operations have been financed primarily through the private placement of equity securities and intrastate public stock offerings. Through June 30, 2023, we have received $27,119,480 from the sale of our shares and recorded $1,746,240 from the exchange of our shares to acquire K-TENN in 2020.

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

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

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

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

As of June 30, 2023, we had cash and cash equivalents totaling $42,942,780. As of June 30, 2023, cash and cash equivalents of $23,751,996 and $13,050,740, respectively, totaling $36,802,736 were held by TLIC and FBLIC and may not be available for use by FTFC due to the required pre-approval by the Oklahoma Insurance Department of any dividend or intercompany transaction to transfer funds to FTFC. The maximum dividend, which may be paid in any twelve-month period without notification or approval, is limited to the greater of 10% of statutory surplus as of December 31 of the preceding year or the net gain from operations of the preceding calendar year.

Cash dividends may only be paid out of surplus derived from realized net profits. Based on these limitations, there is no capacity for TLIC to pay a dividend due to a negative unassigned surplus of $3,633,769 as of December 31, 2022. In addition, based on those limitations, there is the capacity for FBLIC to pay a dividend up to $1,237,769 in 2023 without prior approval. FBLIC has paid no dividends to TLIC in 2023. In 2022, FBLIC paid a $3,200,000 dividend to TLIC, of which $1,495,631 was considered ordinary and $1,704,369 was considered extraordinary. Dividends paid by FBLIC to TLIC are eliminated in consolidation. TLIC has paid no dividends to FTFC in 2023 and 2022. In 2022, TLIC returned $2,200,000 in capital to FTFC. This return of capital by TLIC to FTFC is eliminated in consolidation.

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 $15,564,040 and $32,933,850 as of June 30, 2023 and December 31, 2022, 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 September 15, 2022, the Company did not renew its $1.5 million line of credit with a bank to provide working capital and funds for expansion. For the one-year period ending September 15, 2022, the Company's line of credit with a bank allowed for advances, repayments and re-borrowings. Any outstanding advances would have incurred 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 5.75%. The non-utilized portion of the $1.5 million line of credit would have been assessed a 1% non-usage fee calculated in arrears and paid at the maturity date. No amounts were outstanding on this line of credit during the years it was available.

Our cash flows for the six months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Six Months Ended June 30,		Amount Change
	2023	2022	2023 less 2022
Net cash provided by operating activities	$ 1,698,377	$ 5,773,156	$ (4,074,779)
Net cash provided by (used in) investing activities	2,265,975	(15,113,005)	17,378,980
Net cash provided by (used in) financing activities	5,435,703	(14,929,003)	20,364,706
Increase (decrease) in cash and cash equivalents	9,400,055	(24,268,852)	33,668,907
Cash and cash equivalents, beginning of period	33,542,725	42,528,046	(8,985,321)
Cash and cash equivalents, end of period	$ 42,942,780	$ 18,259,194	$ 24,683,586

The cash provided by operating activities for the six months ended June 30, 2023 and 2022 are summarized as follows:

	(Unaudited) Six Months Ended June 30, 2023	2022	Amount Change 2023 less 2022
Premiums collected	$ 18,571,933	$ 17,273,537	$ 1,298,396
Net investment income collected	11,790,418	10,364,756	1,425,662
Service fees and other income collected	2,102,276	451,667	1,650,609
Death benefits paid	(7,282,857)	(6,577,141)	(705,716)
Surrenders paid	(1,101,132)	(753,815)	(347,317)
Dividends and endowments paid	(169,724)	(156,762)	(12,962)
Commissions paid	(6,985,640)	(5,489,238)	(1,496,402)
Other underwriting, insurance and acquisition expenses paid	(6,228,053)	(4,997,789)	(1,230,264)
Taxes paid	(2,080,865)	(1,015,393)	(1,065,472)
Increased advances to mortgage loan originator	(842,001)	(1,721,208)	879,207
Advances to investment vendor	(10,076,477)	-	(10,076,477)
Decreased assets held in trust under coinsurance agreement	7,141,323	3,455,715	3,685,608
Increased (decreased) deposits of pending policy applications	(6,933,724)	541,887	(7,475,611)
Increased (decreased) mortgage loan suspense	3,898,819	(5,537,794)	9,436,613
Other	(105,919)	(65,266)	(40,653)
Cash provided by operating activities	$ 1,698,377	$ 5,773,156	$ (4,074,779)

Please see the statements of cash flows for the six months ended June 30, 2023 and 2022 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 June 30, 2023 and December 31, 2022 is summarized as follows:

	(Unaudited) June 30, 2023	December 31, 2022	Amount Change 2023 less 2022
Shareholders' equity			
Class A common stock, par value $.01 per share (40,000,000 shares authorized as of June 30, 2023 and December 31, 2022, 9,631,920 issued as of June 30, 2023 and December 31, 2022, 9,384,340 outstanding as of June 30, 2023 and December 31, 2022)	$ 96,319	$ 96,319	$ -
Class B common stock, par value $.01 per share (10,000,000 shares authorized, 101,102 issued and outstanding as of June 30, 2023 and December 31, 2022)	1,011	1,011	-
Additional paid-in capital	43,668,023	43,668,023	-
Treasury stock, at cost (247,580 shares as of June 30, 2023 and December 31, 2022)	(893,947)	(893,947)	-
Accumulated other comprehensive loss	(12,698,644)	(14,319,679)	1,621,035
Accumulated earnings	25,387,754	23,100,785	2,286,969
Total shareholders' equity	$ 55,560,516	$ 51,652,512	$ 3,908,004

The increase in shareholders' equity of $3,908,004 for the six months ended June 30, 2023 is primarily due to $2,517,005 of net income less a $230,036 credit loss cumulative effect adjustment and $1,621,035 increase in accumulated other comprehensive income (loss).

The liquidity requirements of our life insurance companies are met primarily by funds provided from operations. Premium and annuity consideration deposits, investment income and investment maturities are the primary sources of funds, while investment purchases, policy benefits, and operating expenses are the primary uses of funds. There were no liquidity issues in 2023 or 2022. Our investments include marketable debt securities that could be readily converted to cash for liquidity needs.

We are subject to various market risks. The quality of our investment portfolio and the current level of shareholders' equity continue to provide a sound financial base as we strive to expand our marketing to offer competitive products. Our investment portfolio had unrealized depreciation on available-for-sale securities of $16,078,597 and $18,131,268 as of June 30, 2023 and December 31, 2022, respectively, prior to the impact of income taxes and deferred acquisition cost adjustments. A decrease of $1,711,883 in unrealized losses arising for the six months ended June 30, 2023 has been offset by 2023 net realized investment losses of $49,603 originating from the sale and call activity for fixed maturity securities available-for-sale resulting in net unrealized gains on investments of $1,761,486.

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 June 30, 2023, 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 11.9% 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 2022, 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 June 30, 2023, the Company has outstanding advances to this loan originator totaling $5,585,042. The advances are secured by $9,690,625 of residential mortgage loans on real estate that are assigned to the Company. The Company has committed to fund up to an additional $414,958 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 June 30, 2023, $889,493 of additional and secured residential mortgage loan balances on real estate are held in escrow by the Company. As of June 30, 2023, $820,058 of that escrow amount is available to the Company as additional collateral on $5,585,042 of advances to the loan originator. The remaining June 30, 2023 escrow amount of $69,435 is available to the Company as additional collateral on its investment of $13,887,039 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 June 30, 2023 will be sufficient to fund our anticipated operating expenses.

Off-Balance Sheet Arrangements

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

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

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

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

- general economic conditions and financial factors, including the performance and fluctuations of fixed income, equity, real estate, credit capital and other financial markets;
- differences between actual experience regarding mortality, morbidity, persistency, surrenders, investment returns, and our pricing assumptions establishing liabilities and reserves or for other purposes;
- the effect of increased claims activity from natural or man-made catastrophes, pandemic disease, or other events resulting in catastrophic loss of life;
- adverse determinations in litigation or regulatory matters and our exposure to contingent liabilities;
- inherent uncertainties in the determination of investment allowances and impairments and in the determination of the valuation allowance on the deferred income tax asset;
- investment losses and defaults;
- competition in our product lines;
- attraction and retention of qualified employees and agents;
- ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks;
- the availability, affordability and adequacy of reinsurance protection;
- the effects of emerging claim and coverage issues;
- the cyclical nature of the insurance business;
- interest rate fluctuations;
- changes in our experiences related to deferred policy acquisition costs;

- the ability and willingness of counterparties to our reinsurance arrangements and derivative instruments to pay balances due to us;
- impact of medical epidemics and viruses;
- domestic or international military actions;
- the effects of extensive government regulation of the insurance industry;
- changes in tax and securities law;
- changes in statutory or U.S. generally accepted accounting principles ("GAAP"), practices or policies;
- regulatory or legislative changes or developments;
- the effects of unanticipated events on our disaster recovery and business continuity planning;
- failures or limitations of our computer, data security and administration systems;
- risks of employee error or misconduct;
- the assimilation of life insurance businesses we acquire and the sound management of these businesses;
- the availability of capital to expand our business; and
- Coronavirus disease impact on economic environment.

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes to Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three months ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

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

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

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

The third lawsuit involves an insurance holding company and one of its insurance subsidiaries, which was instituted suit in District Court of Travis County, Texas, entitled Citizens, Inc., CICA Life Ltd., and CICA Life Insurance Company of America, Plaintiffs, v. Randall H. Riley, Citizens American Life, LLC, Citizens American Life, Inc., Alexis Enrique Delgado, Carlos Nalsen Landa, Enrique Pinzon Ruiz, Johan Emilio Mikuski Silva, Esperanza Peralta De Delgado, Michael P. Buchweitz, Jonathan M. Pollio, Steven A. Rekedal, First Trinity Financial Corporation, Trinity American, Inc., and International Marketing Group S.A., LLC, Defendants, against the Company and several associated persons on November 7, 2018. The plaintiffs accused the several defendants, including the Company and its subsidiary company, Trinity American, Inc. ("Trinity American") of misappropriating trade secrets under the Texas Uniform Trade Secrets Act. The plaintiffs have also alleged claims for common law unfair competition, civil conspiracy, and unjust enrichment against all of the defendants. The plaintiffs also alleged that Trinity American's predecessor entity tortiously interfered with the plaintiffs' contracts, and alleged several other causes of action, including breaches of contract and tortious interference with contract against the remaining defendants.

The causes of action all are alleged to have arisen from the alleged conduct of the various individual defendants, three of whom are former employees of the plaintiffs. The plaintiffs alleged that defendant Randall H. Riley and other terminated employees, after being terminated by the plaintiffs, worked on creating a competing business selling whole life insurance in international markets. Several of the individual defendants have counterclaimed against the plaintiffs seeking damages for breach of contract based on commissions they were denied when the plaintiffs wrongfully terminated their sales agreements. Mr. Riley died in October 2022. Trial of the case has been delayed indefinitely pending action from the Travis County Probate Court with respect to the estate of Mr. Riley. The Company believes the plaintiffs' claims against the Company are entirely without merit and it is conducting a vigorous defense. Management believes that the ultimate resolution of this lawsuit will not be material in relation to the Company's financial position or results of operations.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

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

SIGNATURES

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

FIRST TRINITY FINANCIAL CORPORATION
an Oklahoma corporation

August 14, 2023	By: /s/ Gregg E. Zahn Gregg E. Zahn, President and Chief Executive Officer
August 14, 2023	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: August 14, 2023

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: August 14, 2023

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 June 30, 2023 (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: August 14, 2023

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 June 30, 2023 (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: August 14, 2023

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