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 September 30, 2015

[ ] **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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).
Yes ☑ No ☐

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

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

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

State the number of shares outstanding of each of the issuer’s classes of common equity, as of the latest practicable date:
Common stock .01 par value as of November 9, 2015: 7,802,593 shares

FIRST TRINITY FINANCIAL CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

First Trinity Financial Corporation and Subsidiaries
Consolidated Statements of Financial Position

	September 30, 2015	December 31, 2014
Assets	(Unaudited)	
Investments		
Available-for-sale fixed maturity securities at fair value (amortized cost: $129,264,756 and $107,412,322 as of September 30, 2015 and December 31, 2014, respectively)	$ 129,158,760	$ 110,651,429
Available-for-sale equity securities at fair value (cost: $534,912 and $519,595 as of September 30, 2015 and December 31, 2014, respectively)	614,289	671,357
Mortgage loans on real estate	55,084,951	38,649,733
Investment real estate	2,362,929	9,165,090
Policy loans	1,474,528	1,520,620
Short-term investments	599,544	1,141,199
Other long-term investments	31,794,676	21,781,925
Total investments	221,089,677	183,581,353
Cash and cash equivalents	11,978,769	10,158,386
Accrued investment income	2,081,804	1,682,906
Recoverable from reinsurers	1,197,636	1,222,245
Agents' balances and due premiums	1,090,615	562,146
Deferred policy acquisition costs	11,856,105	9,287,851
Value of insurance business acquired	6,382,496	6,674,414
Property and equipment, net	45,656	84,001
Other assets	6,826,345	5,747,866
Total assets	$ 262,549,103	$ 219,001,168
Liabilities and Shareholders' Equity		
Policy liabilities		
Policyholders' account balances	$ 185,748,171	$ 140,554,973
Future policy benefits	38,631,023	35,913,730
Policy claims	655,416	602,269
Other policy liabilities	74,152	87,148
Total policy liabilities	225,108,762	177,158,120
Notes payable	-	4,076,473
Deferred federal income taxes	1,364,642	2,198,753
Other liabilities	4,228,905	2,357,484
Total liabilities	230,702,309	185,790,830
Shareholders' equity		
Common stock, par value $.01 per share (20,000,000 shares authorized, 8,050,173 and 8,050,193 issued as of September 30, 2015 and December 31, 2014, respectively and 7,802,593 and 7,812,038 outstanding as of September 30, 2015 and December 31, 2014, respectively)	80,502	80,502
Additional paid-in capital	28,684,598	28,684,748
Treasury stock, at cost (247,580 and 238,155 shares as of September 30, 2015 and December 31, 2014, respectively)	(893,947)	(855,304)
Accumulated other comprehensive income (loss)	(22,711)	2,683,543
Accumulated earnings	3,998,352	2,616,849
Total shareholders' equity	31,846,794	33,210,338
Total liabilities and shareholders' equity	$ 262,549,103	$ 219,001,168

See notes to consolidated financial statements (unaudited).

First Trinity Financial Corporation and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues				
Premiums	$ 2,496,403	$ 2,026,730	$ 7,141,841	$ 5,968,768
Net investment income	2,916,317	2,227,772	7,828,639	6,460,183
Net realized investment gains	280,763	16,528	786,852	778,244
Loss on other-than-temporary impairment	(1,078)	-	(305,334)	-
Gain on reinsurance assumption	38,923	-	588,923	-
Other income	40,492	56,277	56,656	76,352
Total revenues	5,771,820	4,327,307	16,097,577	13,283,547
Benefits, Claims and Expenses				
Benefits and claims				
Increase in future policy benefits	909,156	562,682	2,605,117	1,777,486
Death benefits	803,941	808,294	2,574,150	2,280,756
Surrenders	122,655	215,089	400,536	459,027
Interest credited to policyholders	1,459,480	1,141,903	4,052,780	3,243,630
Dividend, endowment and supplementary life contract benefits	66,689	59,569	224,793	197,169
Total benefits and claims	3,361,921	2,787,537	9,857,376	7,958,068
Policy acquisition costs deferred	(1,596,615)	(606,042)	(3,819,582)	(1,692,513)
Amortization of deferred policy acquisition costs	428,448	347,073	1,285,997	936,627
Amortization of value of insurance business acquired	92,561	106,241	291,918	308,839
Commissions	1,430,501	591,212	3,340,116	1,631,193
Other underwriting, insurance and acquisition expenses	1,189,367	867,080	3,599,813	3,190,362
Total expenses	1,544,262	1,305,564	4,698,262	4,374,508
Total benefits, claims and expenses	4,906,183	4,093,101	14,555,638	12,332,576
Income before total federal income tax expense	865,637	234,206	1,541,939	950,971
Current federal income tax expense (benefit)	218,754	(146,465)	318,132	(68,015)
Deferred federal income tax expense (benefit)	(834)	182,907	(157,546)	143,888
Total federal income tax expense	217,920	36,442	160,586	75,873
Net income	$ 647,717	$ 197,764	$ 1,381,353	$ 875,098
Net income per common share basic and diluted	$ 0.08	$ 0.03	$ 0.18	$ 0.11

See notes to consolidated financial statements (unaudited).

First Trinity Financial Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$ 647,717	$ 197,764	$ 1,381,353	$ 875,098
Other comprehensive income (loss)				
Total net unrealized gains (losses) arising during the period	(1,524,166)	(1,251,770)	(3,436,009)	2,391,378
Less net realized investment gains (losses)	200,657	7,631	(18,521)	574,062
Net unrealized gains (losses)	(1,724,823)	(1,259,401)	(3,417,488)	1,817,316
Less adjustment to deferred acquisition costs	(16,661)	7,714	(34,669)	32,279
Other comprehensive income (loss) before income tax expense	(1,708,162)	(1,267,115)	(3,382,819)	1,785,037
Income tax expense (benefit)	(341,633)	(253,424)	(676,565)	357,006
Total other comprehensive income (loss)	(1,366,529)	(1,013,691)	(2,706,254)	1,428,031
Total comprehensive income (loss)	$ (718,812)	$ (815,927)	$ (1,324,901)	$ 2,303,129

See notes to consolidated financial statements (unaudited).

First Trinity Financial Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
Nine Months Ended September 30, 2015 and 2014
(Unaudited)

	Common Stock $.01 Par Value	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Total Shareholders' Equity
Balance as of January 1, 2014	$ 80,502	$ 28,684,748	$ (693,731)	$ 1,878,157	$ 691,338	$ 30,641,014
Repurchase of common stock	-	-	(80,000)	-	-	(80,000)
Comprehensive income:						
Net income	-	-	-	-	875,098	875,098
Other comprehensive income	-	-	-	1,428,031	-	1,428,031
Balance as of September 30, 2014	$ 80,502	$ 28,684,748	$ (773,731)	$ 3,306,188	$ 1,566,436	$ 32,864,143
Balance as of January 1, 2015	$ 80,502	$ 28,684,748	$ (855,304)	$ 2,683,543	$ 2,616,849	$ 33,210,338
Repurchase of common stock	-	-	(38,643)	-	-	(38,643)
Stock dividend adjustment	-	(150)	-	-	150	-
Comprehensive income (loss):						
Net income	-	-	-	-	1,381,353	1,381,353
Other comprehensive loss	-	-	-	(2,706,254)	-	(2,706,254)
Balance as of September 30, 2015	$ 80,502	$ 28,684,598	$ (893,947)	$ (22,711)	$ 3,998,352	$ 31,846,794

See notes to consolidated financial statements (unaudited).

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

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating activities		
Net income	$ 1,381,353	$ 875,098
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for depreciation	147,462	151,013
Accretion of discount on investments	(758,333)	(667,036)
Net realized investment gains	(786,852)	(778,244)
Loss on other-than-temporary impairment	305,334	-
Gain on reinsurance assumption	(588,923)	-
Amortization of policy acquisition cost	1,285,997	936,627
Policy acquisition cost deferred	(3,819,582)	(1,692,513)
Mortgage loan origination fees deferred	(74,000)	(73,500)
Amortization of loan origination fees	51,362	58,477
Amortization of value of insurance business acquired	291,918	308,839
Provision for deferred federal income tax benefit	(157,546)	143,888
Interest credited to policyholders	4,052,780	3,243,630
Change in assets and liabilities:		
Accrued investment income	(361,106)	(163,477)
Policy loans	51,961	(8,668)
Short-term investments	541,655	(1,391,445)
Allowance for mortgage and premium finance loan losses	48,585	59,793
Recoverable from reinsurers	24,609	25,794
Agents' balances and due premiums	(526,319)	(212,376)
Other assets (excludes $61 and $9,500 of premium finance loans for 2015 and 2014, respectively)	(1,078,539)	(801,606)
Future policy benefits	2,628,204	1,799,893
Policy claims	53,147	(77,687)
Other policy liabilities	(12,996)	10,072
Other liabilities	1,871,421	(776,409)
Net cash provided by operating activities	4,571,592	970,163
Investing activities		
Purchases of fixed maturity securities	(26,575,622)	(19,781,456)
Maturities of fixed maturity securities	1,634,000	4,209,000
Sales of fixed maturity securities	5,937,843	6,349,530
Purchases of equity securities	(551,229)	(131,717)
Sales of equity securities	533,813	105,080
Reinsurance assumption	64,935	-
Purchases of mortgage loans	(23,665,861)	(20,972,323)
Payments on mortgage loans	7,452,257	5,284,042
Purchases of other long-term investments	(11,968,198)	(1,975,228)
Payments on other long-term investments	3,245,071	2,759,728
Loans repaid for premiums financed	61	19,000
Purchases of real estate	-	(2,817,857)
Sale of real estate	7,083,246	36,000
Net cash used in investing activities	(36,809,684)	(26,916,201)
Financing activities		
Policyholders' account deposits	45,590,381	24,011,810
Policyholders' account withdrawals	(7,416,790)	(5,067,516)
Purchases of treasury stock	(38,643)	(80,000)
Proceeds from issuance of notes payable	-	4,076,473
Repayment of notes payable	(4,076,473)	-
Net cash provided by financing activities	34,058,475	22,940,767
Increase (decrease) in cash	1,820,383	(3,005,271)
Cash and cash equivalents, beginning of period	10,158,386	10,608,438
Cash and cash equivalents, end of period	$ 11,978,769	$ 7,603,167

See notes to consolidated financial statements (unaudited).

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

On April 28, 2015, the Company acquired a block of life insurance policies and annuity contracts according to the terms of an assumption reinsurance agreement. The Company acquired assets of $3,644,839 (including cash), assumed liabilities of $3,055,916 and recorded a gain on reinsurance assumption of $588,923. During third quarter 2015, the Company completed its evaluation of assets, liabilities and gain associated with the reinsurance assumption and adjusted the assets, liabilities and gain on reinsurance assumption initially estimated and recorded in second quarter 2015.

In conjunction with this 2015 reinsurance assumption transaction, the cash and non-cash impact on operating, investing and financing activities is summarized as follows:

	Nine Months Ended September 30, 2015
Cash used in reinsurance assumption	$ -
Cash provided in reinsurance assumption	64,935
Increase in cash from reinsurance assumption	64,935
Fair value of assets acquired in reinsurance assumption (excluding cash)	
Available-for-sale fixed maturity securities	3,534,093
Policy loans	5,869
Accrued investment income	37,792
Due premiums	2,150
Total fair value of assets acquired (excluding cash)	3,579,904
Fair value of liabilities assumed in reinsurance assumption	
Policyholders' account balances	2,966,827
Future policy benefits	89,089
Total fair value of liabilities assumed	3,055,916
Fair value of net assets acquired in reinsurance assumption (excluding cash)	523,988
Fair value of net assets acquired in reinsurance assumption (including cash)	$ 588,923

See notes to consolidated financial statements (unaudited).

1. Organization and Significant Accounting Policies

Nature of Operations

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

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

The Company owns 100% of FTCC that was incorporated in 2006, and began operations in January 2007. FTCC provided financing for casualty insurance premiums for individuals and companies and was licensed to conduct premium financing business in the states of Alabama, Arkansas, Louisiana, Mississippi and Oklahoma. FTCC currently has no operations other than minor premium refunds, collections of past due accounts and accounts involved in litigation.

Company Capitalization

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

The Company also issued 702,685 shares of its common stock in connection with two stock dividends paid to shareholders in 2011 and 2012 that resulted in accumulated earnings being charged $5,270,138 with an offsetting credit of $5,270,138 to common stock and additional paid-in capital. As a result, the Company's accumulated earnings as of September 30, 2015, as shown in the consolidated statement of financial position was negatively impacted in 2011 ($2,428,328) and 2012 ($2,841,810) and all periods thereafter by the $5,270,138 charge from the two stock dividends.

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

Acquisitions

On December 23, 2008, FTFC acquired 100% of the outstanding common stock of First Life America Corporation ("FLAC") from an unaffiliated company. The acquisition of FLAC was accounted for as a purchase. The aggregate purchase price for FLAC was approximately $2,695,000 (including direct cost associated with the acquisition of approximately $195,000). 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.

1. Organization and Significant Accounting Policies (continued)

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 (including cash), assumed liabilities of $3,055,916 and recorded a gain on reinsurance assumption of $588,923. During third quarter 2015, the Company completed its evaluation of assets, liabilities and gain associated with the reinsurance assumption and adjusted the assets, liabilities and gain on reinsurance assumption initially estimated and recorded in second quarter 2015.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation of the results for the interim periods have been included. The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the year ended December 31, 2015 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, 2014.

Principles of Consolidation

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

Reclassifications

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

Use of Estimates

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

Common Stock

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

1. Organization and Significant Accounting Policies (continued)

Treasury Stock

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

Subsequent Events

Management has evaluated all events subsequent to September 30, 2015 through the date that these financial statements have been issued.

Recent Accounting Pronouncements

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

In April 2014, the Financial Accounting Standards Board ("FASB") issued revised guidance to reduce diversity in practice for reporting discontinued operations. Under the previous guidance, any component of an entity that was a reportable segment, an operating segment, a reporting unit, a subsidiary or an asset group was eligible for discontinued operations presentation.

The revised guidance only allows disposals of components of an entity that represent a strategic shift (e.g., disposal of a major geographical area, a major line of business, a major equity method investment or other major parts of an entity) and that have a major effect on a reporting entity's operations and financial results to be reported as discontinued operations. The revised guidance also requires expanded disclosure in the financial statements for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation.

The updated guidance was effective for the quarter ending March 31, 2015. The adoption of this guidance did not have a material effect on the Company's results of operations, financial position or liquidity.

Revenue from Contracts with Customers

In May 2014, the FASB issued updated guidance to clarify the principles for recognizing revenue. While insurance contracts are not within the scope of this updated guidance, the Company's fee income related to providing services will be subject to this updated guidance. The updated guidance requires an entity to recognize revenue as performance obligations are met, in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services.

The following steps are applied in the updated guidance: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when, or as, the entity satisfies a performance obligation.

In July 2015, the FASB deferred the effective date of the updated guidance on revenue recognition by one year to the quarter ending March 31, 2018. The adoption of this guidance is not expected to have a material effect on the Company's result of operations, financial position or liquidity.

1. Organization and Significant Accounting Policies (continued)

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the FASB issued updated guidance to resolve diversity in practice concerning employee share-based payments that contain performance targets that could be achieved after the requisite service period. Many reporting entities account for performance targets that could be achieved after the requisite service period as performance conditions that affect the vesting of the award and, therefore, do not reflect the performance targets in the estimate of the grant-date fair value of the award. Other reporting entities treat those performance targets as nonvesting conditions that affect the grant-date fair value of the award.

The updated guidance requires that a performance target that affects vesting and that can be achieved after the requisite service period be treated as a performance condition. As such, the performance target that affects vesting should not be reflected in estimating that fair value of the award at the grant date. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which service has been rendered. If the performance target becomes probable of being achieved before the end of the service period, the remaining unrecognized compensation cost for which requisite service has not yet been rendered is recognized prospectively over the remaining service period. The total amount of compensation cost recognized during and after the service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest.

The updated guidance is effective for annual and interim periods beginning after December 15, 2015, with early adoption permitted. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued guidance to address the diversity in practice in determining when there is substantial doubt about an entity's ability to continue as a going concern and when an entity must disclose certain relevant conditions and events. The new guidance requires an entity to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or available to be issued). The new guidance allows the entity to consider the mitigating effects of management's plans that will alleviate the substantial doubt and requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans.

If conditions or events raise substantial doubt that is not alleviated, an entity should disclose that there is substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or available to be issued), along with the principal conditions or events that raise substantial doubt, management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations and management's plans that are intended to mitigate those conditions.

The guidance is effective for annual periods ending after December 15, 2016, and interim and annual periods thereafter.

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity

In November 2014, the FASB issued updated guidance to clarify when the separation of certain embedded derivative features in a hybrid financial instrument that is issued in the form of a share is required. That is, an entity will continue to evaluate whether the economic characteristics and risks of the embedded derivative feature are clearly and closely related to those of the host contract. Specifically, the amendments clarify that an entity should consider all relevant terms and features, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of the host contract.

1. Organization and Significant Accounting Policies (continued)

Furthermore, the amendments clarify that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. Rather, the nature of the host contract depends upon the economic characteristics and risks of the entire hybrid financial instrument.

The updated guidance is effective for reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

Receivables – Troubled Debt Restructurings by Creditors

In January 2015, the FASB issued updated guidance for troubled debt restructurings clarifying when an in substance repossession or foreclosure occurs, and when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. The new guidance is effective for annual periods and interim periods within those annual periods, beginning after December 15, 2015. This guidance can be elected for prospective adoption or by using a retrospective transition method. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

Amendments to the Consolidation Analysis

In February 2015, the FASB issued updated guidance that makes targeted amendments to the current consolidation accounting guidance. The update is in response to accounting complexity concerns, particularly from the asset management industry. The guidance simplifies consolidation accounting by reducing the number of approaches to consolidation, provides a scope exception to registered money market funds and similar unregistered money market funds and ends the indefinite deferral granted to investment companies from applying the variable interest entity guidance.

The updated guidance is effective for annual and interim periods beginning after December 15, 2015. The adoption of this guidance is not expected to have a material effect on the Company’s results of operations, financial position or liquidity.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued updated guidance to clarify the required presentation of debt issuance costs. The amended guidance requires that debt issuance costs be presented in the balance sheet as a direct reduction from the carrying amount of the recognized debt liability, consistent with the treatment of debt discounts. Amortization of debt issuance costs is to be reported as interest expense. The recognition and measurement guidance for debt issuance costs are not affected by the updated guidance. The updated guidance is effective for reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this guidance is not expected to have a material effect on the Company’s results of operations, financial position or liquidity.

Simplifying the Accounting for Measurement-Period Adjustments

In September 2015, the FASB issued updated guidance regarding business combinations that requires an acquirer to recognize post-close measurement adjustments for provisional amounts in the period the adjustment amounts are determined rather than retrospectively. The acquirer is also required to recognize, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the provisional amount, calculated as if the accounting had been completed at the acquisition date. The updated guidance is to be applied prospectively effective for annual and interim periods beginning after December 15, 2015. In connection with business combinations which have already been completed, the adoption of this guidance is not expected to have a material effect on the Company’s results of operations, financial position or liquidity.

2. Investments

Fixed Maturity and Equity Securities Available-For-Sale

Investments in fixed maturity and equity securities available-for-sale as of September 30, 2015 and December 31, 2014 are summarized as follows:

September 30, 2015 (Unaudited)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities				
U.S. government and U.S. government agencies	$ 2,934,923	$ 150,306	$ 65,796	$ 3,019,433
States and political subdivisions	8,309,947	78,676	62,130	8,326,493
Residential mortgage-backed securities	60,967	39,480	-	100,447
Corporate bonds	102,360,369	2,640,590	2,324,260	102,676,699
Foreign bonds	15,598,550	258,667	821,529	15,035,688
Total fixed maturity securities	129,264,756	3,167,719	3,273,715	129,158,760
Equity securities	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Mutual funds	83,215	-	13,848	69,367
Corporate preferred stock	259,992	3,702	1,040	262,654
Corporate common stock	191,705	95,943	5,380	282,268
Total equity securities	534,912	99,645	20,268	614,289
Total fixed maturity and equity securities	$ 129,799,668	$ 3,267,364	$ 3,293,983	$ 129,773,049

December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities				
U.S. government and U.S. government agencies	$ 2,650,994	$ 168,071	$ 69,052	$ 2,750,013
States and political subdivisions	1,184,034	20,982	863	1,204,153
Residential mortgage-backed securities	68,242	62,193	-	130,435
Corporate bonds	92,367,191	3,711,276	885,169	95,193,298
Foreign bonds	11,141,861	426,197	194,528	11,373,530
Total fixed maturity securities	107,412,322	4,388,719	1,149,612	110,651,429
Equity securities	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Mutual funds	80,879	2,586	-	83,465
Corporate preferred stock	254,502	3,273	1,700	256,075
Corporate common stock	184,214	147,603	-	331,817
Total equity securities	519,595	153,462	1,700	671,357
Total fixed maturity and equity securities	$ 107,931,917	$ 4,542,181	$ 1,151,312	$ 111,322,786

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 September 30, 2015 and December 31, 2014 are summarized as follows:

September 30, 2015 (Unaudited)	Fair Value	Unrealized Loss	Number of Securities
Fixed maturity securities			
Less than 12 months			
U.S. government and U.S. government agencies	$ 298,777	$ 1,223	1
States and political subdivisions	2,858,266	62,130	14
Corporate bonds	32,164,337	1,734,929	129
Foreign bonds	6,174,712	576,466	29
Total less than 12 months	41,496,092	2,374,748	173
More than 12 months			
U.S. government and U.S. government agencies	1,065,427	64,573	2
Corporate bonds	2,919,944	589,331	15
Foreign bonds	431,616	245,063	2
Total more than 12 months	4,416,987	898,967	19
Total fixed maturity securities	45,913,079	3,273,715	192
Equity securities			
Less than 12 months			
Mutual funds	69,367	13,848	1
Corporate preferred stock	48,960	1,040	1
Corporate common stock	44,404	5,380	1
Total equity securities	162,731	20,268	3
Total fixed maturity and equity securities	$ 46,075,810	$ 3,293,983	195

December 31, 2014	Fair Value	Unrealized Loss	Number of Securities
Fixed maturity securities			
Less than 12 months			
Corporate bonds	$ 12,258,681	$ 477,590	47
Foreign bonds	3,446,676	194,528	16
Total less than 12 months	15,705,357	672,118	63
More than 12 months			
U.S. government and U.S. government agencies	1,360,948	69,052	3
States and political subdivisions	105,569	863	1
Corporate bonds	2,761,555	407,579	14
Total more than 12 months	4,228,072	477,494	18
Total fixed maturity securities	19,933,429	1,149,612	81
Equity securities			
Greater than 12 months			
Corporate preferred stock	48,300	1,700	1
Total equity securities	48,300	1,700	1
Total fixed maturity and equity securities	$ 19,981,729	$ 1,151,312	82

2. Investments (continued)

As of September 30, 2015, the Company held 192 available-for-sale fixed maturity securities with an unrealized loss of $3,273,715, fair value of $45,913,079 and amortized cost of $49,186,794. These unrealized losses were primarily due to market interest rate movements in the bond market as of September 30, 2015. The ratio of the fair value to the amortized cost of these 192 securities is 93%.

The Company has recorded an other-than-temporary impairment during 2015. During the second quarter of 2015, the Company impaired its bonds in a mining corporation with a total par value of $600,000 as a result of continuing unrealized losses. This impairment was considered fully credit-related, resulting in a charge to the statement of operations before tax of $305,334 for the nine months ended September 30, 2015. This charge represents the credit-related portion of the difference between the amortized cost basis of the security and its fair value. The Company has experienced no additional other-than-temporary impairments during 2015.

As of December 31, 2014, the Company held 81 available-for-sale fixed maturity securities with an unrealized loss of $1,149,612, fair value of $19,933,429 and amortized cost of $21,083,041. These unrealized losses were primarily due to market interest rate movements in the bond market as of December 31, 2014. The ratio of the fair value to the amortized cost of these 81 securities is 95%.

As of September 30, 2015, the Company has three available-for-sale equity securities with an unrealized loss of $20,268, fair value of $162,731 and cost of $182,999. The ratio of fair value to cost of these securities is 89%.

As of December 31, 2014, the Company held one available-for-sale equity security with an unrealized loss of $1,700, fair value of $48,300 and cost of $50,000. The ratio of fair value to cost of this security is 97%.

Fixed maturity securities were 94% and 95% investment grade as rated by Standard & Poor’s as of September 30, 2015 and December 31, 2014, respectively.

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

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

Based on management’s review, the Company experienced one other-than-temporary impairment during the nine months ended September 30, 2015. There were no impairments during the nine months ended September 30, 2014 or during the year ended December 31, 2014. Management believes that the Company will fully recover its cost basis in the securities held as of September 30, 2015, and management does not have the intent to sell nor is it more likely than not that the Company will be required to sell such securities until they recover or mature. The remaining temporary impairments shown herein are primarily the result of the current interest rate environment rather than credit factors that would imply other-than-temporary impairment.

2. Investments (continued)

Net unrealized gains (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 appreciation (depreciation) had been realized as of September 30, 2015 and December 31, 2014, are summarized as follows:

	(Unaudited) September 30, 2015	December 31, 2014
Unrealized appreciation (depreciation) on available-for-sale securities	$ (26,619)	$ 3,390,869
Adjustment to deferred acquisition costs	(1,771)	(36,440)
Deferred income taxes	5,679	(670,886)
Net unrealized appreciation (depreciation) on available-for-sale securities	$ (22,711)	$ 2,683,543

The Company's investment in lottery prize cash flows categorized as other long-term investments in the statement of financial position was $31,794,676 and $21,781,925 as of September 30, 2015 and December 31, 2014, 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 September 30, 2015, by contractual maturity, are summarized as follows:

	September 30, 2015 (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	$ 5,834,282	$ 5,907,253	$ 3,916,275	$ 3,963,069
Due after one year through five years	33,349,555	34,646,738	11,698,420	12,608,769
Due after five years through ten years	51,570,973	50,673,120	8,694,860	10,383,676
Due after ten years	38,448,979	37,831,202	7,485,121	11,165,525
Due at multiple maturity dates	60,967	100,447	-	-
	$ 129,264,756	$ 129,158,760	$ 31,794,676	$ 38,121,039

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 available-for-sale, mortgage loans on real estate and investment real estate for the three and nine months ended September 30, 2015 and 2014 are summarized as follows:

	Three Months Ended September 30, (Unaudited)							
	Fixed Maturity Securities		Equity Securities		Mortgage Loans on Real Estate		Investment Real Estate	
	2015	2014	2015	2014	2015	2014	2015	2014
Proceeds	$ 4,983,682	$ 1,982,472	$ -	$ -	$ 3,328,222	$ 2,273,252	$ -	$ -
Gross realized gains	225,058	8,755	-	-	79,028	8,897	-	-
Gross realized losses	(23,323)	(1,124)	-	-	-	-	-	-
Loss on other-than-								
Other-than-temporary impairment	(1,078)	-	-	-	-	-	-	-

	Nine Months Ended September 30, (Unaudited)							
	Fixed Maturity Securities		Equity Securities		Mortgage Loans on Real Estate		Investment Real Estate	
	2015	2014	2015	2014	2015	2014	2015	2014
Proceeds	$ 7,571,843	$ 10,558,530	$ 533,813	$ 105,080	$ 7,452,257	$ 5,284,042	$ 7,083,246	$ -
Gross realized gains	313,690	554,818	996	21,400	109,837	204,182	390,202	-
Gross realized losses	(24,977)	(2,156)	(2,896)	-	-	-	-	-
Loss on other-than-								
Other-than-temporary impairment	(305,334)	-	-	-	-	-	-	-

The accumulated change in net unrealized investment gains for fixed maturity and equity securities available-for-sale for the three and nine months ended September 30, 2015 and 2014 and the amount of realized investment gains on fixed maturity securities available-for-sale, equity securities available-for-sale, mortgage loans on real estate and investment real estate for the three and nine months ended September 30, 2015 and 2014 are summarized as follows:

	Three Months Ended September 30, (Unaudited)		Nine Months Ended September 30, (Unaudited)	
	2015	2014	2015	2014
Change in unrealized investment gains:				
Available-for-sale securities:				
Fixed maturity securities	$ (1,689,567)	$ (1,230,128)	$ (3,345,103)	$ 1,843,802
Equity securities	(35,256)	(29,273)	(72,385)	(26,486)
Net realized investment gains (losses):				
Available-for-sale securities:				
Fixed maturity securities	200,657	7,631	(16,621)	552,662
Equity securities	-	-	(1,900)	21,400
Mortgage loans on real estate	79,028	8,897	109,837	204,182
Investment real estate	-	-	390,202	-

2. Investments (continued)

Major categories of net investment income for the three and nine months ended September 30, 2015 and 2014 are summarized as follows:

	Three Months Ended September 30, (Unaudited)		Nine Months Ended September 30, (Unaudited)	
	2015	2014	2015	2014
Fixed maturity securities	$ 1,400,291	$ 1,160,725	$ 3,819,806	$ 3,408,788
Equity securities	8,797	10,917	29,051	32,321
Other long-term investments	501,221	400,985	1,340,050	1,234,775
Mortgage loans	1,172,040	681,204	3,108,912	1,716,909
Policy loans	25,248	25,902	75,554	76,280
Real estate	97,657	204,984	357,067	582,978
Short-term and other investments	46,018	40,839	159,644	112,917
Gross investment income	3,251,272	2,525,556	8,890,084	7,164,968
Investment expenses	(334,955)	(297,784)	(1,061,445)	(704,785)
Net investment income	$ 2,916,317	$ 2,227,772	$ 7,828,639	$ 6,460,183

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 September 30, 2015 and December 31, 2014, these required deposits, included in investment assets, had amortized costs that totaled $3,980,317 and $3,954,696, respectively. As of September 30, 2015 and December 31, 2014, these required deposits had fair values that totaled $4,070,232 and $4,057,740, respectively.

The Company's mortgage loans by property type as of September 30, 2015 and December 31, 2014 are summarized as follows:

	(Unaudited) September 30, 2015		December 31, 2014	
	Amount	Percentage	Amount	Percentage
Commercial mortgage loans				
Retail stores	$ 1,293,112	2.35%	$ 1,635,412	4.23%
Office buildings	315,002	0.57%	327,181	0.85%
Total commercial mortgage loans	1,608,114	2.92%	1,962,593	5.08%
Residential mortgage loans	53,476,837	97.08%	36,687,140	94.92%
Total mortgage loans	$ 55,084,951	100.00%	$ 38,649,733	100.00%

2. Investments (continued)

The Company's investment real estate as of September 30, 2015 and December 31, 2014 is summarized as follows:

	(Unaudited) September 30, 2015	December 31, 2014
Land - held for the production of income	$ 213,160	$ 213,160
Land - held for sale	750,047	2,034,478
Total land	963,207	2,247,638
Building - held for the production of income	2,267,557	2,267,557
Less - accumulated depreciation	(867,835)	(758,718)
Buildings net of accumulated depreciation	1,399,722	1,508,839
Building - held for sale	-	5,408,613
Total buildings	1,399,722	6,917,452
Investment real estate, net of accumulated depreciation	$ 2,362,929	$ 9,165,090

TLIC owns approximately six and one-half acres of land located in Topeka, Kansas that includes a 20,000 square foot office building on approximately one-fourth of this land. This building and one and one-half acres of land is held for the production of income. The remaining five acres of land are held for sale. In addition, FBLIC owns one-half acre of undeveloped land located in Jefferson City, Missouri. This land is held for sale. FTCC also owned a small, undeveloped land parcel in Carthage, Mississippi that was sold during 2014.

In December 2013, TLIC purchased one acre of land in Greensburg, Indiana that included a 3,975 square foot retail building on approximately 8% of this land. Also in December 2013, TLIC purchased another acre of land in Norman, Oklahoma that included a 9,100 square foot retail building on approximately 18% of this land. These buildings and land were held for sale and, as discussed below, were sold on March 11, 2015.

In February 2014, TLIC purchased one acre of land in Houston, Texas that included a 9,195 square foot building constructed on approximately 25% of this land. Also in February 2014, TLIC purchased three-fourths of an acre of land in Harrisonville, Missouri that included a 6,895 square foot building constructed on approximately 20% of this land. This building and land were also held for sale and, as discussed below, were sold on March 11, 2015.

On March 11, 2015, the Company sold its investment real estate in buildings and land held for sale in Greensburg, Indiana; Norman, Oklahoma; Houston, Texas and Harrisonville, Missouri with an aggregate carrying value of $6,693,044 as of both December 31, 2014 and March 11, 2015. The Company recorded a gross profit on these sales of $390,202 based on an aggregate sales price of $7,083,246 less closing costs and expenses of $20,119.

In addition, simultaneously with these sales, the Company settled its two notes payable, collateralized by the held for sale buildings and land (including assignment of the tenant leases), with an aggregate payment to Grand Bank (the creditor) of $4,076,473. In connection with the repayments of the two notes payable, the Company expensed the loan origination fees remaining as of March 11, 2015 of $72,744. During the period from January 1, 2015 to March 11, 2015, the Company incurred interest expense of $35,181 on the two notes payable and amortized $7,423 of loan origination fees.

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.

3. Fair Value Measurements (continued)

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

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

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's Level 2 assets and liabilities include fixed maturity securities with quoted prices that are traded less frequently than exchange-traded instruments or assets and liabilities whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, state and political subdivision securities and corporate debt 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 September 30, 2015 and December 31, 2014 is summarized as follows:

September 30, 2015 (Unaudited)	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale				
U.S. government and U.S. government agencies	$ -	$ 3,019,433	$ -	$ 3,019,433
States and political subdivisions	-	8,326,493	-	8,326,493
Residential mortgage-backed securities	-	100,447	-	100,447
Corporate bonds	-	102,676,699	-	102,676,699
Foreign bonds	-	15,035,688	-	15,035,688
Total fixed maturity securities	$ -	$ 129,158,760	$ -	$ 129,158,760
Equity securities, available-for-sale				
Mutual funds	$ -	$ 69,367	$ -	$ 69,367
Corporate preferred stock	209,770	52,884	-	262,654
Corporate common stock	235,768	-	46,500	282,268
Total equity securities	$ 445,538	$ 122,251	$ 46,500	$ 614,289

December 31, 2014	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available-for-sale				
U.S. government and U.S. government agencies	$ -	$ 2,750,013	$ -	$ 2,750,013
States and political subdivisions	-	1,204,153	-	1,204,153
Residential mortgage-backed securities	-	130,435	-	130,435
Corporate bonds	-	95,193,298	-	95,193,298
Foreign bonds	-	11,373,530	-	11,373,530
Total fixed maturity securities	$ -	$ 110,651,429	$ -	$ 110,651,429
Equity securities, available-for-sale				
Mutual funds	$ 3,592	$ 79,873	$ -	$ 83,465
Corporate preferred stock	203,999	52,076	-	256,075
Corporate common stock	285,317	-	46,500	331,817
Total equity securities	$ 492,908	$ 131,949	$ 46,500	$ 671,357

As of both September 30, 2015 and December 31, 2014, Level 3 financial instruments consisted of two private placement common stocks that have no active trading. These private placement stocks represent investments in small insurance holding companies. The fair value for these securities was determined through the use of unobservable assumptions about market participants. The Company has assumed a willing market participant would purchase the securities for the same price as the Company paid until such time as the development stage company commences operations.

3. Fair Value Measurements (continued)

Fair values for Level 1 and Level 2 assets for the Company's fixed maturity and equity securities available-for-sale 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, states and political subdivisions, mortgage-backed securities, corporate bonds and foreign bonds.

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

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

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 September 30, 2015 and December 31, 2014, 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:

	September 30, 2015 (Unaudited)				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Mortgage loans on real estate					
Commercial	$ 1,608,114	$ 1,633,185	$ -	$ -	$ 1,633,185
Residential	53,476,837	55,009,183	-	-	55,009,183
Policy loans	1,474,528	1,474,528	-	-	1,474,528
Short-term investments	599,544	599,544	599,544	-	-
Other long-term investments	31,794,676	38,121,039	-	-	38,121,039
Cash and cash equivalents	11,978,769	11,978,769	11,978,769	-	-
Accrued investment income	2,081,804	2,081,804	-	-	2,081,804
Loans from premium financing	123,825	123,825	-	-	123,825
Total financial assets	$ 103,138,097	$ 111,021,877	$ 12,578,313	$ -	$ 98,443,564
Financial liabilities					
Policyholders' account balances	$ 185,748,171	$ 167,835,552	$ -	$ -	$ 167,835,552
Policy claims	655,416	655,416	-	-	655,416
Total financial liabilities	$ 186,403,587	$ 168,490,968	$ -	$ -	$ 168,490,968

	December 31, 2014				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Mortgage loans on real estate					
Commercial	$ 1,962,593	$ 2,000,041	$ -	$ -	$ 2,000,041
Residential	36,687,140	38,613,679	-	-	38,613,679
Policy loans	1,520,620	1,520,620	-	-	1,520,620
Short-term investments	1,141,199	1,141,199	1,141,199	-	-
Other long-term investments	21,781,925	25,912,178	-	-	25,912,178
Cash and cash equivalents	10,158,386	10,158,386	10,158,386	-	-
Accrued investment income	1,682,906	1,682,906	-	-	1,682,906
Loans from premium financing	123,886	123,886	-	-	123,886
Total financial assets	$ 75,058,655	$ 81,152,895	$ 11,299,585	$ -	$ 69,853,310
Financial liabilities					
Policyholders' account balances	$ 140,554,973	$ 126,144,182	$ -	$ -	$ 126,144,182
Notes payable	4,076,473	4,076,473	-	-	4,076,473
Policy claims	602,269	602,269	-	-	602,269
Total financial liabilities	$ 145,233,715	$ 130,822,924	$ -	$ -	$ 130,822,924

3. Fair Value Measurements (continued)

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

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

Fixed Maturity Securities and Equity Securities

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

Mortgage Loans on Real Estate

The fair values for mortgage loans are estimated using discounted cash flow analyses. For residential mortgage loans, the discount rate used was indexed to the LIBOR yield curve adjusted for an appropriate credit spread. For commercial mortgage loans, the discount rate used was assumed to be the interest rate on the last commercial mortgage acquired by the Company.

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

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 Citigroup 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.

Notes Payable

The carrying amounts reported for these liabilities approximate their fair value. These notes payable were issued on March 26, 2014 and the current refinancing of these liabilities would result in notes payable yielding approximately the carrying amount as shown in the December 31, 2014 consolidated statement of financial position. The notes payable were settled on March 11, 2015.

4. Notes Payable

Notes payable as of December 31, 2014 are summarized as follows:

	December 31, 2014
Promissory note payable to Grand Bank, secured by real estate and tenant leases located in Indiana, Oklahoma and Texas, 35 monthly payments of interest at 4.50% with a final payment in the 36th month of $3,009,265 of principal plus unpaid accrued interest at 4.50%, maturity date is March 26, 2017	$ 3,009,265
Promissory note payable to Grand Bank, secured by real estate and tenant leases located in Missouri, 35 monthly payments of interest at 4.50% with a final payment on the 36th month of $1,067,208 of principal plus unpaid accrued interest at 4.50%, maturity date is March 26, 2017	1,067,208
Total promissory notes payable	$ 4,076,473

On March 11, 2015, the Company sold its investment real estate in buildings and land held for sale in Greensburg, Indiana; Norman, Oklahoma; Houston, Texas and Harrisonville, Missouri with an aggregate carrying value of $6,693,044 as of both December 31, 2014 and March 11, 2015. The Company recorded a gross profit on these sales of $390,202 based on an aggregate sales price of $7,083,246 less closing costs and expenses of $20,119. In addition, simultaneously with these sales, the Company settled its two notes payable, collateralized by the held for sale buildings and land (including assignment of the tenant leases), with an aggregate payment to Grand Bank (the creditor) of $4,076,473. The $3,009,265 promissory note was collateralized (including assignment of the tenant leases) by three properties, located in Indiana, Oklahoma and Texas, purchased for $4,940,647 in December 2013 and February 2014.

In December 2013, TLIC purchased one acre of land in Greensburg, Indiana that included a 3,975 square foot building constructed on approximately 8% of this land at a cost of $2,444,203 (including closing costs of $50,516). The building is leased through October 31, 2027 plus four future five year extensions effective on November 1, 2027, November 1, 2032, November 1, 2037 and November 1, 2042. The terms of the lease have the lessee responsible for paying real estate taxes, building insurance and building and ground maintenance. The monthly lease payments were as follows: $14,661 in 2014; $14,881 in 2015; $15,104 in 2016; $15,331 in 2017; $15,561 in 2018 and $15,794 in 2019.

In December 2013, TLIC also purchased one acre of land in Norman, Oklahoma that included a 9,100 square foot building constructed on approximately 18% of this land at a cost of $1,519,431 (including closing costs of $37,931). The building is leased through August 31, 2028 plus three future five year extensions on September 1, 2028, September 1, 2033 and September 1, 2038. The terms of the lease have the lessee responsible for paying real estate taxes, building insurance and building and ground maintenance. The monthly lease payments were $8,004 through August 31, 2028.

In February 2014, TLIC purchased one acre of land in Houston, Texas that included a 9,195 square foot building constructed on approximately 25% of this land at a cost of $977,013 (including closing costs of $31,063). The building is leased through December 31, 2023 plus four future five year extensions effective on January 1, 2024, January 1, 2029, January 1, 2034 and January 1, 2039. The terms of the lease have the lessee responsible for paying real estate taxes and building insurance. TLIC is responsible for building and ground maintenance. The monthly lease payments were $5,833 through December 31, 2019.

The $1,067,208 promissory note was collateralized (including assignment of the tenant leases) by the February 2014 TLIC purchase of three-fourths of an acre of land in Harrisonville, Missouri that included a 6,895 square foot building constructed on approximately 20% of this land at a cost of $1,752,397 (including closing costs of $44,864). The building is leased through October 31, 2028 plus three future five year extensions on November 1, 2028, November 1, 2033 and November 1, 2038. The terms of the lease have the lessee responsible for paying real estate taxes, building insurance and building and ground maintenance. The monthly lease payments were $9,463 through October 31, 2028.

4. Notes Payable (continued)

When the two promissory notes were originated on March 26, 2014, $106,889 of loan origination fees were capitalized with amortization of the capitalized loan origination fees during the 36 month term of the loan. For the year ended December 31, 2014, $26,722 of the loan origination fees has been amortized and the unamortized loan origination fees as of December 31, 2014 were $80,167. The Company incurred $137,581 of interest expense during 2014 on these two notes payable. In connection with the repayments of the two notes payable on March 11, 2015, the Company expensed the loan origination fees remaining as of March 11, 2015 of $72,744. During the period from January 1, 2015 to March 11, 2015, the Company incurred interest expense of $35,181 on the two notes payable and amortized $7,423 of loan origination fees.

5. Segment Data

The Company has a life insurance segment, consisting of the life insurance operations of TLIC and FBLIC, an annuity segment, consisting of the annuity operations of TLIC and FBLIC and a corporate segment. Results for the parent company and the operations of FTCC, after elimination of intercompany amounts, are allocated to the corporate segment. These segments as of September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and 2014 are summarized as follows:

	Three Months Ended September 30, (Unaudited)		Nine Months Ended September 30, (Unaudited)	
	2015	2014	2015	2014
Revenues:				
Life insurance operations	$ 3,009,009	$ 2,451,719	$ 8,700,985	$ 7,467,032
Annuity operations	2,688,858	1,739,192	7,094,580	5,491,626
Corporate operations	73,953	136,396	302,012	324,889
Total	$ 5,771,820	$ 4,327,307	$ 16,097,577	$ 13,283,547
Income (loss) before income taxes:				
Life insurance operations	$ 752,366	$ 323,544	$ 754,556	$ 202,269
Annuity operations	183,304	(231,415)	652,395	495,240
Corporate operations	(70,033)	142,077	134,988	253,462
Total	$ 865,637	$ 234,206	$ 1,541,939	$ 950,971
Depreciation and amortization expense:				
Life insurance operations	$ 351,004	$ 125,190	$ 1,168,749	$ 784,650
Annuity operations	224,704	382,776	570,215	659,656
Corporate operations	12,486	5,080	37,775	10,650
Total	$ 588,194	$ 513,046	$ 1,776,739	$ 1,454,956

	(Unaudited) September 30, 2015	December 31, 2014
Assets:		
Life insurance operations	$ 44,743,380	$ 44,448,441
Annuity operations	211,112,838	167,947,889
Corporate operations	6,692,885	6,604,838
Total	$ 262,549,103	$ 219,001,168

6. 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. A valuation allowance has been established due to the uncertainty of certain loss carry forwards.

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 2012 through 2014 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.

7. Legal Matters and Contingent Liabilities

The Company and Chairman, President and Chief Executive Officer, Gregg E. Zahn, filed an action in the District Court of Tulsa County, Oklahoma in 2013, Case No. CJ-2013-03385, against former Company Board of Directors member, Wayne Pettigrew and Mr. Pettigrew's company, Group & Pension Planners, Inc. (the "Defendants"). The petition filed in the case alleges that Mr. Pettigrew, during and after the time he was a member of the Company's Board of Directors, made defamatory statements regarding the Company and Mr. Zahn and committed breaches of his fiduciary duties to the Company. The defendants are alleged to have made defamatory statements to certain shareholders of the Company, to the press and to the Oklahoma Insurance Department and the Oklahoma Department of Securities. Mr. Pettigrew has denied the allegations.

The Board of Directors, represented by independent counsel, concluded that there was no action to be taken against Mr. Zahn and that the allegations by Mr. Pettigrew were without substance. The Company has been informed by the Oklahoma Insurance Department that it would take no action and was also informed that the Oklahoma Department of Securities, after its investigation of the allegations, concluded that no proceedings were needed with respect to the alleged matters.

It is the Company's intention to vigorously prosecute this action against the Defendants for damages and for the correction of the defamatory statements. In the opinion of the Company's management, the ultimate resolution of any contingencies that may arise from this litigation is not considered material in relation to the financial position or results of operations of the Company.

Prior to its acquisition by TLIC, FBLIC developed, marketed, and sold life insurance products known as "Decreasing Term to 95" policies. On January 17, 2013, FBLIC's Board of Directors voted that, effective March 1, 2013, it was not approving, and therefore was not providing, a dividend for the Decreasing Term to 95 policies. On November 22, 2013, three individuals who owned Decreasing Term to 95 policies filed a Petition in the Circuit Court of Greene County, Missouri asserting claims against FBLIC relating to FBLIC's decision to not provide a dividend under the Decreasing Term to 95 policies.

The Petition asserts claims for breach of contract and anticipatory breach of contract and alleges that FBLIC breached, and will anticipatorily breach, the Decreasing Term to 95 policies of insurance by not providing a dividend sufficient to purchase a one year term life insurance policy which would keep the death benefit under the Decreasing Term to 95 policies the same as that provided during the first year of coverage under the policy. In addition to these claims, the Petition asserts claims for negligent misrepresentation, fraud, and violation of the Missouri Merchandising Practices Act ("MMPA"). It alleges that during its sale of the Decreasing Term to 95 policies, FBLIC represented that the owners of these policies would always be entitled to dividends to purchase a one-year term life insurance policy and that the owners would have a level death benefit without an increase in premium.

7. Legal Matters and Contingent Liabilities (continued)

The Petition also seeks to certify a class of individuals with similar claims but no class has been certified by the Court. FBLIC denies the allegations in the Petition and will continue to defend against them. It is the Company's intention to vigorously defend the request for class certification, as well as to defend vigorously against the individual allegations. FBLIC filed a motion for partial summary judgment seeking summary judgment on the claims for violation of MMPA. This motion for partial summary judgment asked the court to declare that the MMPA does not apply to insurance companies such as FBLIC and enter judgment for FBLIC on the petition. A hearing for the motion of summary judgment was held on February 25, 2015 and it was subsequently denied by the court on March 2, 2015. The Company is unable to determine the potential magnitude of the claims in the event of a final certification and the plaintiffs prevailing on this substantive action.

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 nine months ended September 30, 2015 and 2014 are summarized as follows:

	Three Months Ended September 30, 2015 and 2014 (Unaudited)		
	Unrealized Appreciation (Depreciation) on Available-For-Sale Securities	Adjustment to Deferred Acquisition Costs	Accumulated Other Comprehensive Income (Loss)
Balance as of July 1, 2015	$ 1,358,562	$ (14,744)	$ 1,343,818
Other comprehensive loss before reclassifications, net of tax	(1,219,333)	13,329	(1,206,004)
Less amounts reclassified from accumulated other comprehensive income (loss), net of tax	160,525	-	160,525
Other comprehensive loss	(1,379,858)	13,329	(1,366,529)
Balance as of September 30, 2015	$ (21,296)	$ (1,415)	$ (22,711)
Balance as of July 1, 2014	$ 4,349,872	$ (29,993)	$ 4,319,879
Other comprehensive loss before reclassifications, net of tax	(1,001,414)	(6,172)	(1,007,586)
Less amounts reclassified from accumulated other comprehensive income, net of tax	6,105	-	6,105
Other comprehensive loss	(1,007,519)	(6,172)	(1,013,691)
Balance as of September 30, 2014	$ 3,342,353	$ (36,165)	$ 3,306,188

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

	Nine Months Ended September 30, 2015 and 2014 (Unaudited)		
	Unrealized Appreciation (Depreciation) on Available-For-Sale Securities	Adjustment to Deferred Acquisition Costs	Accumulated Other Comprehensive Income (Loss)
Balance as of January 1, 2015	$ 2,712,694	$ (29,151)	$ 2,683,543
Other comprehensive loss before reclassifications, net of tax	(2,748,807)	27,736	(2,721,071)
Less amounts reclassified from accumulated other comprehensive income (loss) , net of tax	(14,817)	-	(14,817)
Other comprehensive loss	(2,733,990)	27,736	(2,706,254)
Balance as of September 30, 2015	$ (21,296)	$ (1,415)	$ (22,711)
Balance as of January 1, 2014	$ 1,888,498	$ (10,341)	$ 1,878,157
Other comprehensive income before reclassifications, net of tax	1,913,105	(25,824)	1,887,281
Less amounts reclassified from accumulated other comprehensive income, net of tax	459,250	-	459,250
Other comprehensive income	1,453,855	(25,824)	1,428,031
Balance as of September 30, 2014	$ 3,342,353	$ (36,165)	$ 3,306,188

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 nine months ended September 30, 2015 and 2014 are summarized as follows:

	Three Months Ended September 30, 2015 (Unaudited)		
	Pretax	Income Tax Expense (Benefit)	Net of Tax
Other comprehensive loss:			
Change in net unrealized gains (losses) on available-for-sale securities:			
Unrealized holding losses arising during the period	$ (1,524,166)	$ (304,833)	$ (1,219,333)
Reclassification adjustment for net gains included in operations	200,657	40,132	160,525
Net unrealized losses on investments	(1,724,823)	(344,965)	(1,379,858)
Adjustment to deferred acquisition costs	16,661	3,332	13,329
Total other comprehensive loss	$ (1,708,162)	$ (341,633)	$ (1,366,529)

	Three Months Ended September 30, 2014 (Unaudited)		
	Pretax	Income Tax Expense (Benefit)	Net of Tax
Other comprehensive loss:			
Change in net unrealized gains on available-for-sale securities:			
Unrealized holding losses arising during the period	$ (1,251,770)	$ (250,356)	$ (1,001,414)
Reclassification adjustment for net gains included in operations	7,631	1,526	6,105
Net unrealized losses on investments	(1,259,401)	(251,882)	(1,007,519)
Adjustment to deferred acquisition costs	(7,714)	(1,542)	(6,172)
Total other comprehensive loss	$ (1,267,115)	$ (253,424)	$ (1,013,691)

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

	Nine Months Ended September 30, 2015 (Unaudited)		
	Pretax	Income Tax Expense (Benefit)	Net of Tax
Other comprehensive loss:			
Change in net unrealized gains (losses) on available-for-sale securities:			
Unrealized holding losses arising during the period	$ (3,436,009)	$ (687,202)	$ (2,748,807)
Reclassification adjustment for net losses included in operations	(18,521)	(3,704)	(14,817)
Net unrealized losses on investments	(3,417,488)	(683,498)	(2,733,990)
Adjustment to deferred acquisition costs	34,669	6,933	27,736
Total other comprehensive loss	$ (3,382,819)	$ (676,565)	$ (2,706,254)

	Nine Months Ended September 30, 2014 (Unaudited)		
	Pretax	Income Tax Expense (Benefit)	Net of Tax
Other comprehensive income:			
Change in net unrealized gains on available-for-sale securities:			
Unrealized holding gains arising during the period	$ 2,391,378	$ 478,273	$ 1,913,105
Reclassification adjustment for net gains included in operations	574,062	114,812	459,250
Net unrealized gains on investments	1,817,316	363,461	1,453,855
Adjustment to deferred acquisition costs	(32,279)	(6,455)	(25,824)
Total other comprehensive income	$ 1,785,037	$ 357,006	$ 1,428,031

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 nine months ended September 30, 2015 and 2014 are summarized as follows:

	Three Months Ended September 30, (Unaudited)		Nine Months Ended September 30, (Unaudited)	
Reclassification Adjustments	2015	2014	2015	2014
Unrealized gains on available-for-sale securities:				
Realized gains (losses) on sales of securities (a)	$ 200,657	$ 7,631	$ (18,521)	$ 574,062
Income tax expense (benefit) (b)	40,132	1,526	(3,704)	114,812
Total reclassification adjustments	$ 160,525	$ 6,105	$ (14,817)	$ 459,250

(a) These items appear within net realized investment gains and loss on other-than-temporary impairment in the consolidated statement of operations.

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

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

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

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

Mortgage loans and premium finance loans are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the mortgage loan or premium finance loan agreement. Factors considered by the Company in determining impairment include payment status, collateral value of the real estate subject to the mortgage loan, and the probability of collecting scheduled principal and interest payments when due. Mortgage loans and premium finance 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 or premium finance loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis.

As of September 30, 2015, $562,235 of independent mortgage loan balances are held in escrow by a third party for the benefit of the Company related to its investment in $19,940,549 of mortgage loans on real estate with one loan originator. In addition, the Company has an additional $175,051 allowance for possible loan losses in the remaining $35,144,402 of investments in mortgage loans on real estate as of September 30, 2015.

As of December 31, 2014, $540,049 of independent mortgage loan balances are held in escrow by a third party for the benefit of the Company related to its investment in $12,892,150 of mortgage loans on real estate with one loan originator. In addition, the Company had an additional $126,466 allowance for possible loan losses in the remaining $25,757,583 of investments in mortgage loans on real estate as of December 31, 2014.

Through June 30, 2012, FTCC financed amounts up to 80% of the premium on property and casualty insurance policies after a 20% or greater down payment was made by the policy owner. The premiums financed were collateralized by the amount of the unearned premium of the insurance policy. Policies that became delinquent were submitted for cancellation and recovery of the unearned premium, up to the amount of the loan balance, 25 days after a payment became delinquent. Loans from premium financing of $320,996 and $321,243 as of September 30, 2015 and December 31, 2014, respectively, are carried net of estimated loan losses of $197,171 and $197,358 as of September 30, 2015 and December 31, 2014, respectively. The Company has made no premium financing loans since June 30, 2012. FTCC currently has no operations other than minor premium refunds, collections of past due accounts and accounts involved in litigation.

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

The balances of and changes in the Company's credit losses related to mortgage loans on real estate and loans from premium financing as of and for the three and nine months ended September 30, 2015 and 2014 are summarized as follows (excluding $19,940,549 and $9,086,579 of mortgage loans on real estate as of September 30, 2015 and 2014, 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)							
	As of and for the Three Months Ended September 30,							
	Residential Mortgage Loans		Commercial Mortgage Loans		Premium Finance Loans		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Allowance, beginning	$ 156,254	$ 94,364	$ 8,204	$ 10,235	$ 197,171	$ 197,358	$ 361,629	$ 301,957
Charge offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision	10,716	23,079	(123)	(190)	-	-	10,593	22,889
Allowance, ending	$ 166,970	$ 117,443	$ 8,081	$ 10,045	$ 197,171	$ 197,358	$ 372,222	$ 324,846
Allowance, ending:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 192,689	$ 192,876	$ 192,689	$ 192,876
Collectively evaluated for impairment	$ 166,970	$ 117,443	$ 8,081	$ 10,045	$ 4,482	$ 4,482	$ 179,533	$ 131,970
Carrying Values:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 316,514	$ 316,761	$ 316,514	$ 316,761
Collectively evaluated for impairment	$ 33,536,288	$ 23,966,858	$ 1,608,114	$ 1,998,978	$ 4,482	$ 4,482	$ 35,148,884	$ 25,970,318

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

	(Unaudited) As of and for the Nine Months Ended September 30,							
	Residential Mortgage Loans		Commercial Mortgage Loans		Premium Finance Loans		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Allowance, beginning	$ 116,604	$ 50,210	$ 9,862	$ 7,985	$ 197,358	$ 206,858	$ 323,824	$ 265,053
Charge offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision	50,366	67,233	(1,781)	2,060	(187)	(9,500)	48,398	59,793
Allowance, ending	$ 166,970	$ 117,443	$ 8,081	$ 10,045	$ 197,171	$ 197,358	$ 372,222	$ 324,846
Allowance, ending:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 192,689	$ 192,876	$ 192,689	$ 192,876
Collectively evaluated for impairment	$ 166,970	$ 117,443	$ 8,081	$ 10,045	$ 4,482	$ 4,482	$ 179,533	$ 131,970
Carrying Values:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 316,514	$ 316,761	$ 316,514	$ 316,761
Collectively evaluated for impairment	$ 33,536,288	$ 23,966,858	$ 1,608,114	$ 1,998,978	$ 4,482	$ 4,482	$ 35,148,884	$ 25,970,318

The Company utilizes the ratio of the carrying value of individual residential and commercial mortgage loans compared to the individual appraisal value to evaluate the credit quality of its mortgage loans on real estate (commonly referred to as the loan-to-value ratio). The Company's residential and commercial mortgage loans on real estate by credit quality using this ratio as of September 30, 2015 and December 31, 2014 are summarized as follows:

	Residential Mortgage Loans		Commercial Mortgage Loans		Total Mortgage Loans	
	(Unaudited)		(Unaudited)		(Unaudited)	
Loan-To-Value Ratio	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Over 70% to 80%	$ 13,964,429	$ 9,049,051	$ -	$ -	$ 13,964,429	$ 9,049,051
Over 60% to 70%	21,136,263	11,129,632	914,482	938,703	22,050,745	12,068,335
Over 50% to 60%	8,145,377	6,176,648	193,570	201,352	8,338,947	6,378,000
Over 40% to 50%	7,575,234	7,734,658	376,202	409,338	7,951,436	8,143,996
Over 30% to 40%	1,771,362	1,635,865	123,860	405,152	1,895,222	2,041,017
Over 20% to 30%	182,057	448,381	-	-	182,057	448,381
Over 10% to 20%	595,960	87,634	-	-	595,960	87,634
10% or less	106,155	425,271	-	8,048	106,155	433,319
Total	$ 53,476,837	$ 36,687,140	$ 1,608,114	$ 1,962,593	$ 55,084,951	$ 38,649,733

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 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, 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 business. In late December 2008, the Company completed its acquisition of 100% of the outstanding stock of FLAC, included in the life insurance and annuity segments, for $2,500,000 and had additional acquisition related expenses of $195,000. In late December 2011, the Company completed its acquisition of 100% of the outstanding stock of FBLIC, also included in the life insurance and annuity segments, for $13,855,129. On April 28, 2015, the Company acquired a block of life insurance policies and annuity contracts according to the terms of an assumption reinsurance agreement and assumed liabilities of $3,055,916.

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

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition, results of operations and liquidity and capital resources is based on our consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the United States. 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 and premium financing, 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, 2014. The Company considers its most critical accounting estimates to be those applied to investments in fixed maturity and equity securities, mortgage loans on real estate, deferred policy acquisition costs, value of insurance business acquired and future policy benefits. There have been no material changes to the Company's critical accounting policies and estimates since December 31, 2014.

Recent Accounting Pronouncements

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

In April 2014, the Financial Accounting Standards Board ("FASB") issued revised guidance to reduce diversity in practice for reporting discontinued operations. Under the previous guidance, any component of an entity that was a reportable segment, an operating segment, a reporting unit, a subsidiary or an asset group was eligible for discontinued operations presentation.

The revised guidance only allows disposals of components of an entity that represent a strategic shift (e.g., disposal of a major geographical area, a major line of business, a major equity method investment or other major parts of an entity) and that have a major effect on a reporting entity's operations and financial results to be reported as discontinued operations. The revised guidance also requires expanded disclosure in the financial statements for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. The updated guidance was effective for the quarter ending March 31, 2015. The adoption of this guidance did not have a material effect on the Company's results of operations, financial position or liquidity.

Revenue from Contracts with Customers

In May 2014, the FASB issued updated guidance to clarify the principles for recognizing revenue. While insurance contracts are not within the scope of this updated guidance, the Company's fee income related to providing services will be subject to this updated guidance. The updated guidance requires an entity to recognize revenue as performance obligations are met, in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services.

The following steps are applied in the updated guidance: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when, or as, the entity satisfies a performance obligation.

In July 2015, the FASB deferred the effective date of the updated guidance on revenue recognition by one year to the quarter ending March 31, 2018. The adoption of this guidance is not expected to have a material effect on the Company's result of operations, financial position or liquidity.

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the FASB issued updated guidance to resolve diversity in practice concerning employee share-based payments that contain performance targets that could be achieved after the requisite service period. Many reporting entities account for performance targets that could be achieved after the requisite service period as performance conditions that affect the vesting of the award and, therefore, do not reflect the performance targets in the estimate of the grant-date fair value of the award. Other reporting entities treat those performance targets as nonvesting conditions that affect the grant-date fair value of the award.

The updated guidance requires that a performance target that affects vesting and that can be achieved after the requisite service period be treated as a performance condition. As such, the performance target that affects vesting should not be reflected in estimating that fair value of the award at the grant date. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which service has been rendered. If the performance target becomes probable of being achieved before the end of the service period, the remaining unrecognized compensation cost for which requisite service has not yet been rendered is recognized prospectively over the remaining service period. The total amount of compensation cost recognized during and after the service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest.

The updated guidance is effective for annual and interim periods beginning after December 15, 2015, with early adoption permitted. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued guidance to address the diversity in practice in determining when there is substantial doubt about an entity's ability to continue as a going concern and when an entity must disclose certain relevant conditions and events. The new guidance requires an entity to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or available to be issued). The new guidance allows the entity to consider the mitigating effects of management's plans that will alleviate the substantial doubt and requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans.

If conditions or events raise substantial doubt that is not alleviated, an entity should disclose that there is substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or available to be issued), along with the principal conditions or events that raise substantial doubt, management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations and management's plans that are intended to mitigate those conditions. The guidance is effective for annual periods ending after December 15, 2016, and interim and annual periods thereafter.

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity

In November 2014, the FASB issued updated guidance to clarify when the separation of certain embedded derivative features in a hybrid financial instrument that is issued in the form of a share is required. That is, an entity will continue to evaluate whether the economic characteristics and risks of the embedded derivative feature are clearly and closely related to those of the host contract. Specifically, the amendments clarify that an entity should consider all relevant terms and features, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of the host contract.

Furthermore, the amendments clarify that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. Rather, the nature of the host contract depends upon the economic characteristics and risks of the entire hybrid financial instrument.

The updated guidance is effective for reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

Receivables – Troubled Debt Restructurings by Creditors

In January 2015, the FASB issued updated guidance for troubled debt restructurings clarifying when an in substance repossession or foreclosure occurs, and when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. The new guidance is effective for annual periods and interim periods within those annual periods, beginning after December 15, 2015. This guidance can be elected for prospective adoption or by using a retrospective transition method. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

Amendments to the Consolidation Analysis

In February 2015, the FASB issued updated guidance that makes targeted amendments to the current consolidation accounting guidance. The update is in response to accounting complexity concerns, particularly from the asset management industry. The guidance simplifies consolidation accounting by reducing the number of approaches to consolidation, provides a scope exception to registered money market funds and similar unregistered money market funds and ends the indefinite deferral granted to investment companies from applying the variable interest entity guidance.

The updated guidance is effective for annual and interim periods beginning after December 15, 2015. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued updated guidance to clarify the required presentation of debt issuance costs. The amended guidance requires that debt issuance costs be presented in the balance sheet as a direct reduction from the carrying amount of the recognized debt liability, consistent with the treatment of debt discounts. Amortization of debt issuance costs is to be reported as interest expense. The recognition and measurement guidance for debt issuance costs are not affected by the updated guidance. The updated guidance is effective for reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

Simplifying the Accounting for Measurement-Period Adjustments

In September 2015, the FASB issued updated guidance regarding business combinations that requires an acquirer to recognize post-close measurement adjustments for provisional amounts in the period the adjustment amounts are determined rather than retrospectively. The acquirer is also required to recognize, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the provisional amount, calculated as if the accounting had been completed at the acquisition date. The updated guidance is to be applied prospectively effective for annual and interim periods beginning after December 15, 2015. In connection with business combinations which have already been completed, the adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

Business Segments

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

Our business segments are as follows:

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

Please see below and Note 5 to the Consolidated Financial Statements for the three and nine months ended September 30, 2015 and 2014 and as of September 30, 2015 and December 31, 2014 for additional information regarding segment information.

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

FINANCIAL HIGHLIGHTS

Consolidated Condensed Results of Operations for the Three Months Ended September 30, 2015 and 2014

	(Unaudited) Three Months Ended September 30,		Increase (Decrease)	Percentage Change
	2015	2014	2015 less 2014	2015 to 2014
Premiums	$ 2,496,403	$ 2,026,730	$ 469,673	23.2%
Net investment income	2,916,317	2,227,772	688,545	30.9%
Net realized investment gains	280,763	16,528	264,235	1598.7%
Loss on other-than-temporary impairment	(1,078)	-	(1,078)	100.0%
Gain on reinsurance assumption	38,923	-	38,923	100.0%
Other income	40,492	56,277	(15,785)	-28.0%
Total revenues	5,771,820	4,327,307	1,444,513	33.4%
Benefits and claims	3,361,921	2,787,537	574,384	20.6%
Expenses	1,544,262	1,305,564	238,698	18.3%
Total benefits, claims and expenses	4,906,183	4,093,101	813,082	19.9%
Income before federal income tax expense	865,637	234,206	631,431	269.6%
Federal income tax expense	217,920	36,442	181,478	498.0%
Net income	$ 647,717	$ 197,764	$ 449,953	227.5%
Net income per common share basic and diluted	$ 0.08	$ 0.03	$ 0.05	

Consolidated Condensed Results of Operations for the Nine Months Ended September 30, 2015 and 2014

	(Unaudited) Nine Months Ended September 30,		Increase (Decrease)	Percentage Change
	2015	2014	2015 less 2014	2015 to 2014
Premiums	$ 7,141,841	$ 5,968,768	$ 1,173,073	19.7%
Net investment income	7,828,639	6,460,183	1,368,456	21.2%
Net realized investment gains	786,852	778,244	8,608	1.1%
Loss on other-than-temporary impairment	(305,334)	-	(305,334)	100.0%
Gain on reinsurance assumption	588,923	-	588,923	100.0%
Other income	56,656	76,352	(19,696)	-25.8%
Total revenues	16,097,577	13,283,547	2,814,030	21.2%
Benefits and claims	9,857,376	7,958,068	1,899,308	23.9%
Expenses	4,698,262	4,374,508	323,754	7.4%
Total benefits, claims and expenses	14,555,638	12,332,576	2,223,062	18.0%
Income before federal income tax expense	1,541,939	950,971	590,968	62.1%
Federal income tax expense	160,586	75,873	84,713	111.7%
Net income	$ 1,381,353	$ 875,098	$ 506,255	57.9%
Net income per common share basic and diluted	$ 0.18	$ 0.11	$ 0.07	

Consolidated Condensed Financial Position as of September 30, 2015 and December 31, 2014

	(Unaudited) September 30, 2015	December 31, 2014	Increase (Decrease) 2015 to 2014	Percentage Change 2015 to 2014
Investment assets	$ 221,089,677	$ 183,581,353	$ 37,508,324	20.4%
Other assets	41,459,426	35,419,815	6,039,611	17.1%
Total assets	$ 262,549,103	$ 219,001,168	$ 43,547,935	19.9%
Policy liabilities	$ 225,108,762	$ 177,158,120	$ 47,950,642	27.1%
Notes payable	-	4,076,473	(4,076,473)	-100.0%
Deferred federal income taxes	1,364,642	2,198,753	(834,111)	-37.9%
Other liabilities	4,228,905	2,357,484	1,871,421	79.4%
Total liabilities	230,702,309	185,790,830	44,911,479	24.2%
Shareholders' equity	31,846,794	33,210,338	(1,363,544)	-4.1%
Total liabilities and shareholders' equity	$ 262,549,103	$ 219,001,168	$ 43,547,935	19.9%
Shareholders' equity per common share	$ 4.08	$ 4.25	$ (0.17)	

Results of Operations – Three Months Ended September 30, 2015 and 2014

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 September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Three Months Ended September 30,		Increase (Decrease)	Percentage Change
	2015	2014	2015 less 2014	2015 to 2014
Premiums	$ 2,496,403	$ 2,026,730	$ 469,673	23.2%
Net investment income	2,916,317	2,227,772	688,545	30.9%
Net realized investment gains	280,763	16,528	264,235	1598.7%
Loss on other-than-temporary impairment	(1,078)	-	(1,078)	100.0%
Gain on reinsurance assumption	38,923	-	38,923	100.0%
Other income	40,492	56,277	(15,785)	-28.0%
Total revenues	$ 5,771,820	$ 4,327,307	$ 1,444,513	33.4%

The $1,444,513 increase in total revenues for the three months ended September 30, 2015 is discussed below.

Premiums

Our premiums for the three months ended September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Three Months Ended September 30,		Increase (Decrease)	Percentage Change
	2015	2014	2015 less 2014	2015 to 2014
Whole life and term first year	$ 26,756	$ 11,593	$ 15,163	130.8%
Whole life and term renewal	611,066	655,270	(44,204)	-6.7%
Final expense first year	633,523	243,226	390,297	160.5%
Final expense renewal	1,225,058	1,116,641	108,417	9.7%
Total premiums	$ 2,496,403	$ 2,026,730	$ 469,673	23.2%

The $469,673 increase in premiums for the three months ended September 30, 2015 is primarily due to a $390,297 increase in final expense first year premiums due to increased production from the expansion of FBLIC into additional states. There was also a $108,417 increase in final expense renewal premiums reflecting the persistency of prior years' final expense production.

Net Investment Income

The major components of our net investment income for the three months ended September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Three Months Ended September 30,		Increase (Decrease)	Percentage Change
	2015	2014	2015 less 2014	2015 to 2014
Fixed maturity securities	$ 1,400,291	$ 1,160,725	$ 239,566	20.6%
Equity securities	8,797	10,917	(2,120)	-19.4%
Other long-term investments	501,221	400,985	100,236	25.0%
Mortgage loans	1,172,040	681,204	490,836	72.1%
Policy loans	25,248	25,902	(654)	-2.5%
Real estate	97,657	204,984	(107,327)	-52.4%
Short-term and other investments	46,018	40,839	5,179	12.7%
Gross investment income	3,251,272	2,525,556	725,716	28.7%
Investment expenses	(334,955)	(297,784)	37,171	-12.5%
Net investment income	$ 2,916,317	$ 2,227,772	$ 688,545	30.9%

The $725,716 increase in gross investment income for the three months ended September 30, 2015 is due to additional investments in mortgage loans, fixed maturity securities and other long-term investments (lottery receivables). In the twelve months since September 30, 2014, our investments in mortgage loans have increased approximately $20.0 million. In addition, in the twelve months since September 30, 2014, our investments in fixed maturity securities have increased approximately $17.8 million. Finally, in the twelve months since September 30, 2014, our investments in other long-term investments (lottery receivables) have increased approximately $9.6 million.

The $107,327 decrease in real estate investment income is related to our sale of $6,693,044 of real estate held for investment in March 2015. The $37,171 increase in investment expenses for the three months ended September 30, 2015 is primarily related to fees and expenses associated with the increased investments in mortgage loans and the expenses incurred during third quarter 2015 in engaging an investment advisor.

Net Realized Investment Gains

There was a $264,235 increase in net realized investment gains for the three months ended September 30, 2015.

The net realized investment gains from the sales and maturities of fixed maturity securities available-for-sale of $201,735 for the three months ended September 30, 2015 resulted from proceeds of $4,983,682 for these securities that had carrying values of $4,781,947 at the 2015 disposal dates.

The net realized investment gains from the sales and maturities of fixed maturity securities available-for-sale of $7,631 for the three months ended September 30, 2014 resulted from proceeds of $1,982,472 for these securities that had carrying values of $1,974,841 at the 2014 disposal dates.

There were no realized gains and losses from the sales of equity securities available-for-sale for the three months ended September 30, 2015.

There were no realized gains and losses from the sales of equity securities available-for-sale for the three months ended September 30, 2014.

The net realized investment gains from mortgage loans on real estate of $79,028 for the three months ended September 30, 2015 resulted from the early pay off of mortgage loans that the Company had acquired at a discount price.

The net realized investment gains from mortgage loans on real estate of $8,897 for the three months ended September 30, 2014 resulted from the early pay off of mortgage loans that the Company had acquired at a discount price.

We have recorded an other-than-temporary impairment during 2015. During the second quarter of 2015, we impaired our bonds in a mining corporation with a total par value of $600,000 as a result of continuing unrealized losses. An additional charge to the statement of operations before tax of $1,078 was recorded for the three months ended September 30, 2015. This charge represents the credit-related portion of the difference between the amortized cost basis of the security and its fair value. We have experienced no additional other-than-temporary impairments during 2015.

On April 28, 2015, we acquired a block of life insurance policies and annuity contracts according to the terms of an assumption reinsurance agreement. During third quarter 2015, the Company completed its evaluation of assets, liabilities, and gain associated with the reinsurance assumption and recorded an additional gain of $38,923 for the three months ended September 30, 2015.

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 September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Three Months Ended September 30, 2015	(Unaudited) Three Months Ended September 30, 2014	Increase (Decrease) 2015 less 2014	Percentage Change 2015 to 2014
Benefits and claims				
Increase in future policy benefits	$ 909,156	$ 562,682	$ 346,474	61.6%
Death benefits	803,941	808,294	(4,353)	-0.5%
Surrenders	122,655	215,089	(92,434)	-43.0%
Interest credited to policyholders	1,459,480	1,141,903	317,577	27.8%
Dividend, endowment and supplementary life contract benefits	66,689	59,569	7,120	12.0%
Total benefits and claims	3,361,921	2,787,537	574,384	20.6%
Expenses				
Policy acquisition costs deferred	(1,596,615)	(606,042)	(990,573)	163.4%
Amortization of deferred policy acquisition costs	428,448	347,073	81,375	23.4%
Amortization of value of insurance business acquired	92,561	106,241	(13,680)	-12.9%
Commissions	1,430,501	591,212	839,289	142.0%
Other underwriting, insurance and acquisition expenses	1,189,367	867,080	322,287	37.2%
Total expenses	1,544,262	1,305,564	238,698	18.3%
Total benefits, claims and expenses	$ 4,906,183	$ 4,093,101	$ 813,082	19.9%

The $813,082 increase in total benefits, claims and expenses for the three months ended September 30, 2015 is discussed below.

Benefits and Claims

The $574,384 increase in benefits and claims for the three months ended September 30, 2015 is primarily due to the following:

- $346,474 increase in future policy benefits is primarily related to the production of new policies, initial sales of policies to older age bands resulting in increased mortality reserve charges and the aging of existing policies.

- $317,577 increase in interest credited to policyholders is primarily due to an increase of approximately $49.8 million in the amount of policyholders' account balances in the consolidated statement of financial position (increased deposits in excess of withdrawals) since September 30, 2014.

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 life insurance, which vary with, and are primarily related to, the successful production of new and renewal insurance and annuity contracts.

For the three months ended September 30, 2015 and 2014, capitalized costs were $1,596,615 and $606,042, respectively. Amortization of deferred policy acquisition costs for the three months ended September 30, 2015 and 2014 were $428,448 and $347,073, respectively.

The $990,573 increase in the acquisition costs deferred primarily relates to increased production of final expense and annuity products. The $81,375 increase in the 2015 amortization of deferred acquisition costs is primarily due to mortality associated with final expense policies and a decrease in the percentage of submitted policies issued.

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 $92,561 and $106,241 for the three months ended September 30, 2015 and 2014, respectively.

Commissions

Our commissions for the three months ended September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Three Months Ended September 30,		Increase	Percentage Change
	2015	2014	2015 less 2014	2015 to 2014
Annuity	$ 526,498	$ 177,848	$ 348,650	196.0%
Whole life and term first year	28,909	4,723	24,186	512.1%
Whole life and term renewal	19,648	31,188	(11,540)	-37.0%
Final expense first year	751,025	280,652	470,373	167.6%
Final expense renewal	104,421	96,801	7,620	7.9%
Total commissions	$ 1,430,501	$ 591,212	$ 839,289	142.0%

The $839,289 increase in commissions for the three months ended September 30, 2015 is primarily due to:

- $470,373 increase in final expense first year commissions that correspond to the $390,297 increase in final expense first year premiums.
- $348,650 increase in annuity first year, single and renewal commissions that corresponds to $21,578,571 of increased annuity considerations deposited.

Other Underwriting, Insurance and Acquisition Expenses

There was an increase of $322,287 in other underwriting, insurance and acquisition expenses for the three months ended September 30, 2015 that was primarily related to increased acquisition and maintenance cost associated with increased final expense and annuity production, increased third party administration fees primarily related to the conversion of the assumption reinsurance to the existing legacy system and legal fees associated with the two cases being contested.

Federal Income Taxes

FTFC files a consolidated federal income tax return with FTCC but does not file a consolidated tax return with TLIC or FBLIC. TLIC and FBLIC are taxed as life insurance companies under the provisions of the Internal Revenue Code. Life insurance companies must file separate tax returns until they have been a member of the consolidated filing group for five years.

However, in 2015 and 2014, TLIC and FBLIC filed combined life insurance company 2014 and 2013 federal tax returns. 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 September 30, 2015 and 2014, current income tax expense (benefit) was $218,754 and ($146,465), respectively. Deferred federal income tax expense (benefit) were ($834) and $182,907 for the three months ended September 30, 2015 and 2014, respectively.

Net Income Per Common Share Basic and Diluted

Net income was $647,717 ($0.08 per common share basic and diluted) and $197,764 ($0.03 per common share basic and diluted) for the three months ended September 30, 2015 and 2014, respectively.

Net income per common share basic and diluted is calculated using the weighted average number of common shares outstanding and subscribed during the year. The weighted average outstanding and subscribed common shares basic and diluted for the three months ended September 30, 2015 and 2014 were 7,802,593 and 7,831,934, respectively.

Business Segments

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

The revenues and income (loss) before federal income taxes from our business segments for the three months ended September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Three Months Ended September 30, 2015	(Unaudited) Three Months Ended September 30, 2014	Increase (Decrease) 2015 to 2014	Percentage Change 2015 to 2014
Revenues:				
Life insurance operations	$ 3,009,009	$ 2,451,719	$ 557,290	22.7%
Annuity operations	2,688,858	1,739,192	949,666	54.6%
Corporate operations	73,953	136,396	(62,443)	-45.8%
Total	$ 5,771,820	$ 4,327,307	$ 1,444,513	33.4%
Income (loss) before income taxes:				
Life insurance operations	$ 752,366	$ 323,544	$ 428,822	-132.5%
Annuity operations	183,304	(231,415)	414,719	-179.2%
Corporate operations	(70,033)	142,077	(212,110)	-149.3%
Total	$ 865,637	$ 234,206	$ 631,431	269.6%

Life Insurance Operations

The $557,290 increase in revenues from Life Insurance Operations for the three months ended September 30, 2015 is primarily due to the following:

- $469,673 increase in premiums
- $50,329 increase in net realized investment gains (that also includes a loss on other-than-temporary impairment and gain on reinsurance assumption)
- $34,719 increase in other income
- $2,569 increase in net investment income

The $428,822 increased profitability from Life Insurance Operations for the three months ended September 30, 2015 is primarily due to the following:

- $531,877 increase in policy acquisition costs deferred net of amortization
- $469,673 increase in premiums
- $181,560 decrease in other underwriting, insurance and acquisition expenses
- $92,434 decrease in surrenders
- $50,329 increase in net realized investment gains (that also includes a loss on other-than-temporary impairment and gain on reinsurance assumption)
- $34,719 increase in other income
- $4,353 decrease in death benefits
- $2,569 increase in net investment income
- $7,120 increase in dividend, endowment and supplementary life contract benefits
- $94,459 increase in amortization of value of insurance business acquired
- $346,474 increase in future policy benefits
- $490,639 increase in commissions

Annuity Operations

The $949,666 increase in revenues from Annuity Operations for the three months ended September 30, 2015 is due to the following:

- $697,915 increase in net investment income
- $251,751 increase in net realized investment gains (that also includes a loss on other-than-temporary impairment and gain on reinsurance assumption)

The $414,719 increased profitability from Annuity Operations for the three months ended September 30, 2015 is due to the following:

- $697,915 increase in net investment income
- $377,321 increase in policy acquisition costs deferred net of amortization
- $251,751 increase in net realized investment gains (that also includes a loss on other-than-temporary impairment and gain on reinsurance assumption)
- $108,139 decrease in amortization of value of insurance business acquired
- $317,577 increase in interest credited to policyholders
- $348,650 increase in commissions
- $354,180 increase in other underwriting, insurance and acquisition expenses

Corporate Operations

The $62,443 decrease in revenues from Corporate Operations for the three months ended September 30, 2015 is primarily due to $50,504 of decreased other income and $11,939 of decreased net investment income.

The $212,110 decreased Corporate Operations profitability for the three months ended September 30, 2015 is primarily due to $149,667 of increased operating expenses, $50,504 of decreased other income and $11,939 of decreased net investment income.

Results of Operations – Nine Months Ended September 30, 2015 and 2014

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 nine months ended September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Nine Months Ended September 30, 2015	(Unaudited) Nine Months Ended September 30, 2014	Increase (Decrease) 2015 less 2014	Percentage Change 2015 to 2014
Premiums	$ 7,141,841	$ 5,968,768	$ 1,173,073	19.7%
Net investment income	7,828,639	6,460,183	1,368,456	21.2%
Net realized investment gains	786,852	778,244	8,608	1.1%
Loss on other-than-temporary impairment	(305,334)	-	(305,334)	100.0%
Gain on reinsurance assumption	588,923	-	588,923	100.0%
Other income	56,656	76,352	(19,696)	-25.8%
Total revenues	$ 16,097,577	$ 13,283,547	$ 2,814,030	21.2%

The $2,814,030 increase in total revenues for the nine months ended September 30, 2015 is discussed below.

Premiums

Our premiums for the nine months ended September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Nine Months Ended September 30, 2015	(Unaudited) Nine Months Ended September 30, 2014	Increase 2015 less 2014	Percentage Change 2015 to 2014
Whole life and term first year	$ 70,688	$ 43,510	$ 27,178	62.5%
Whole life and term renewal	1,983,346	1,993,932	(10,586)	-0.5%
Final expense first year	1,547,162	631,498	915,664	145.0%
Final expense renewal	3,540,645	3,299,828	240,817	7.3%
Total premiums	$ 7,141,841	$ 5,968,768	$ 1,173,073	19.7%

The $1,173,073 increase in premiums for the nine months ended September 30, 2015 is primarily due to a $915,664 increase in final expense first year premiums due to increased production from the expansion of FBLIC into additional states. There was also a $240,817 increase in final expense renewal premiums reflecting the persistency of prior years' final expense production.

Net Investment Income

The major components of our net investment income for the nine months ended September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Nine Months Ended September 30,		Increase (Decrease)	Percentage Change
	2015	2014	2015 less 2014	2015 to 2014
Fixed maturity securities	$ 3,819,806	$ 3,408,788	$ 411,018	12.1%
Equity securities	29,051	32,321	(3,270)	-10.1%
Other long-term investments	1,340,050	1,234,775	105,275	8.5%
Mortgage loans	3,108,912	1,716,909	1,392,003	81.1%
Policy loans	75,554	76,280	(726)	-1.0%
Real estate	357,067	582,978	(225,911)	-38.8%
Short-term and other investments	159,644	112,917	46,727	41.4%
Gross investment income	8,890,084	7,164,968	1,725,116	24.1%
Investment expenses	(1,061,445)	(704,785)	356,660	-50.6%
Net investment income	$ 7,828,639	$ 6,460,183	$ 1,368,456	21.2%

The $1,725,116 increase in gross investment income for the nine months ended September 30, 2015 is due to additional investments in mortgage loans, fixed maturity securities and other long-term investments (lottery receivables). In the twelve months since September 30, 2014, our investments in mortgage loans have increased approximately $20.0 million. In addition, in the twelve months since September 30, 2014, our investments in fixed maturity securities have increased approximately $17.8 million. Finally, in the twelve months since September 30, 2014, our investments in other long-term investments (lottery receivables) have increased approximately $9.6 million.

The $225,911 decrease in real estate investment income is related to our sale of $6,693,044 of real estate held for sale in March 2015. The $46,727 increase in short-term and other investments is due to increased investments of excess cash with a loan originator primarily developing rental properties.

The $356,660 increase in investment expenses for the nine months ended September 30, 2015 is primarily related to fees and expenses associated with the increased investments in mortgage loans, the expenses incurred during third quarter 2015 in engaging an investment advisor and expenses incurred with the sale of investment real estate on March 11, 2015. The investment real estate sale included expensing the remaining loan origination fees, interest on the note payable and closing costs.

Net Realized Investment Gains

There was an $8,608 increase in net realized investment gains for the nine months ended September 30, 2015.

The net realized investment gains from the sales and maturities of fixed maturity securities available-for-sale of $288,713 for the nine months ended September 30, 2015 resulted from proceeds of $7,571,843 for these securities that had carrying values of $7,283,130 at the 2015 disposal dates.

The net realized investment gains from the sales and maturities of fixed maturity securities available-for-sale of $552,662 for the nine months ended September 30, 2014 resulted from proceeds of $10,558,530 for these securities that had carrying values of $10,005,868 at the 2014 disposal dates.

The net realized investment losses from the sales of equity securities available-for-sale of $1,900 for the nine months ended September 30, 2015 resulted from proceeds of $533,813 for these securities that had carrying values of $535,713 at the 2015 disposal dates.

The net realized investment gains from the sales of equity securities available-for-sale of $21,400 for the nine months ended September 30, 2014 resulted from proceeds of $105,080 for these securities that had carrying values of $83,680 at the 2014 disposal dates.

The net realized investment gains from mortgage loans on real estate of $109,837 for the nine months ended September 30, 2015 resulted from the early pay off of mortgage loans that the Company had acquired at a discount price.

The net realized investment gains from mortgage loans on real estate of $204,182 for the nine months ended September 30, 2014 resulted from the early pay off of mortgage loans that the Company had acquired at a discount price.

On March 11, 2015, the Company sold its investment real estate in buildings and land held for sale in Greensburg, Indiana; Norman, Oklahoma; Houston, Texas and Harrisonville, Missouri with an aggregate carrying value of $6,693,044 as of both December 31, 2014 and March 11, 2015. The Company recorded a gross profit on these sales of $390,202 based on an aggregate sales price of $7,083,246 less closing costs and expenses of $20,119.

We have recorded an other-than-temporary impairment during 2015. During the second quarter of 2015, we impaired our bonds in a mining corporation with a total par value of $600,000 as a result of continuing unrealized losses. This impairment was considered fully credit-related, resulting in a charge to the statement of operations before tax of $305,334 for the nine months ended September 30, 2015. This charge represents the credit-related portion of the difference between the amortized cost basis of the security and its fair value. We have experienced no additional other-than-temporary impairments during 2015.

On April 28, 2015, the Company acquired a block of life insurance policies and annuity contracts according to the terms of an assumption reinsurance agreement. The Company acquired assets of $3,644,839 (including cash), assumed liabilities of $3,055,916 and recorded a gain on reinsurance assumption of $588,923. During third quarter 2015, the Company completed its evaluation of assets, liabilities and gain associated with the reinsurance assumption and adjusted the assets, liabilities and gain on reinsurance assumption initially estimated and recorded in second quarter 2015.

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 nine months ended September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Nine Months Ended September 30, 2015	2014	Increase (Decrease) 2015 less 2014	Percentage Change 2015 to 2014
Benefits and claims				
Increase in future policy benefits	$ 2,605,117	$ 1,777,486	$ 827,631	46.6%
Death benefits	2,574,150	2,280,756	293,394	12.9%
Surrenders	400,536	459,027	(58,491)	-12.7%
Interest credited to policyholders	4,052,780	3,243,630	809,150	24.9%
Dividend, endowment and supplementary life contract benefits	224,793	197,169	27,624	14.0%
Total benefits and claims	9,857,376	7,958,068	1,899,308	23.9%
Expenses				
Policy acquisition costs deferred	(3,819,582)	(1,692,513)	(2,127,069)	125.7%
Amortization of deferred policy acquisition costs	1,285,997	936,627	349,370	37.3%
Amortization of value of insurance business acquired	291,918	308,839	(16,921)	-5.5%
Commissions	3,340,116	1,631,193	1,708,923	104.8%
Other underwriting, insurance and acquisition expenses	3,599,813	3,190,362	409,451	12.8%
Total expenses	4,698,262	4,374,508	323,754	7.4%
Total benefits, claims and expenses	$ 14,555,638	$ 12,332,576	$ 2,223,062	18.0%

The $2,223,062 increase in total benefits, claims and expenses for the nine months ended September 30, 2015 is discussed below.

Benefits and Claims

The $1,899,308 increase in benefits and claims for the nine months ended September 30, 2015 is primarily due to the following:

- $827,631 increase in future policy benefits is primarily related to the production of new policies, initial sales of policies to older age bands resulting in increased mortality reserve charges and the aging of existing policies.

- $809,150 increase in interest credited to policyholders is primarily due to an increase of approximately $49.8 million in the amount of policyholders' account balances in the consolidated statement of financial position (increased deposits in excess of withdrawals) since September 30, 2014.

- $293,394 increase in death benefits is primarily due to 31 additional final expense claims at an average of approximately $9,700 per claim. The increased final expense mortality was offset by less mortality in the other lines. Final expense mortality is above actuarial estimates when the products were introduced but management and actuarial analysis continues to conclude that its final expense products are profitable despite the unfavorable mortality.

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 life insurance, which vary with, and are primarily related to, the successful production of new and renewal insurance and annuity contracts.

For the nine months ended September 30, 2015 and 2014, capitalized costs were $3,819,582 and $1,692,513, respectively. Amortization of deferred policy acquisition costs for the nine months ended September 30, 2015 and 2014 were $1,285,997 and $936,627, respectively.

The $2,127,069 increase in the acquisition costs deferred primarily relates to increased production of final expense and annuity products. The $349,370 increase in the 2015 amortization of deferred acquisition costs is primarily due to increased mortality associated with final expense policies and a decrease in the percentage of submitted policies issued.

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 $291,918 and $308,839 for the nine months ended September 30, 2015 and 2014, respectively.

Commissions

Our commissions for the nine months ended September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Nine Months Ended September 30,		Increase (Decrease)	Percentage Change
	2015	2014	2015 less 2014	2015 to 2014
Annuity	$ 1,065,162	$ 510,229	$ 554,933	108.8%
Whole life and term first year	65,643	31,532	34,111	108.2%
Whole life and term renewal	79,048	85,401	(6,353)	-7.4%
Final expense first year	1,829,341	715,212	1,114,129	155.8%
Final expense renewal	300,922	288,819	12,103	4.2%
Total commissions	$ 3,340,116	$ 1,631,193	$ 1,708,923	104.8%

The $1,708,923 increase in commissions for the nine months ended September 30, 2015 is primarily due to:

- $1,114,129 increase in final expense first year commissions that correspond to the $915,664 increase in final expense first year premiums.

- $554,933 increase in annuity first year, single and renewal commissions that corresponds to $21,578,571 of increased annuity considerations deposited.

Other Underwriting, Insurance and Acquisition Expenses

There was an increase of $409,451 in other underwriting, insurance and acquisition expenses for the nine months ended September 30, 2015 that was primarily related to increased acquisition and maintenance costs associated with increased final expense and annuity production, increased third party administration fees primarily related to the conversion of the assumption reinsurance to the existing legacy system and legal fees associated with the two cases being contested.

Federal Income Taxes

FTFC files a consolidated federal income tax return with FTCC but does not file a consolidated tax return with TLIC or FBLIC. TLIC and FBLIC are taxed as life insurance companies under the provisions of the Internal Revenue Code. Life insurance companies must file separate tax returns until they have been a member of the consolidated filing group for five years.

However, in 2015 and 2014, TLIC and FBLIC filed combined life insurance company 2014 and 2013 federal tax returns. 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 nine months ended September 30, 2015 and 2014, current income tax expense (benefit) was $318,132 and ($68,015), respectively. Deferred federal income tax expense (benefit) was ($157,546) and $143,888 for the nine months ended September 30, 2015 and 2014, respectively.

Net Income Per Common Share Basic and Diluted

Net income was $1,381,353 ($0.18 per common share basic and diluted) and $875,098 ($0.11 per common share basic and diluted) for the nine months ended September 30, 2015 and 2014, respectively.

Net income per common share basic and diluted is calculated using the weighted average number of common shares outstanding and subscribed during the year. The weighted average outstanding and subscribed common shares basic and diluted for the nine months ended September 30, 2015 and 2014 were 7,805,223 and 7,833,048, respectively.

Business Segments

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

The revenues and income (loss) before federal income taxes from our business segments for the nine months ended September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Nine Months Ended September 30,		Increase (Decrease)	Percentage Change
	2015	2014	2015 to 2014	2015 to 2014
Revenues:				
Life insurance operations	$ 8,700,985	$ 7,467,032	$ 1,233,953	16.5%
Annuity operations	7,094,580	5,491,626	1,602,954	29.2%
Corporate operations	302,012	324,889	(22,877)	-7.0%
Total	$ 16,097,577	$ 13,283,547	$ 2,814,030	21.2%
Income (loss) before income taxes:				
Life insurance operations	$ 754,556	$ 202,269	$ 552,287	273.0%
Annuity operations	652,395	495,240	157,155	31.7%
Corporate operations	134,988	253,462	(118,474)	-46.7%
Total	$ 1,541,939	$ 950,971	$ 590,968	62.1%

Life Insurance Operations

The $1,233,953 increase in revenues from Life Insurance Operations for the nine months ended September 30, 2015 is primarily due to the following:

- $1,173,073 increase in premiums
- $31,321 increase in other income
- $16,414 increase in net realized investment gains (that also includes a loss on other-than-temporary impairment and gain on reinsurance assumption)
- $13,145 increase in net investment income

The $552,287 increased profitability from Life Insurance Operations for the nine months ended September 30, 2015 is primarily due to the following:

- $1,173,073 increase in premiums
- $1,172,563 increase in policy acquisition costs deferred net of amortization
- $381,458 decrease in other underwriting, insurance and acquisition expenses
- $58,491 decrease in surrenders
- $31,321 increase in other income
- $16,414 increase in net realized investment gains (that also includes a loss on other-than-temporary impairment and gain on reinsurance assumption)
- $13,145 increase in net investment income
- $8,461 decrease in amortization of value of insurance business acquired
- $27,624 increase in dividend, endowment and supplementary life contract benefits
- $293,394 increase in death benefits
- $827,631 increase in future policy benefits
- $1,153,990 increase in commissions

Annuity Operations

The $1,602,954 increase in revenues from Annuity Operations for the nine months ended September 30, 2015 is due to the following:

- $1,327,171 increase in net investment income
- $275,783 increase in net realized investment gains (that also includes a loss on other-than-temporary impairment and gain on reinsurance assumption)

The $157,155 increased profitability from Annuity Operations for the nine months ended September 30, 2015 is due to the following:

- $1,327,171 increase in net investment income
- $605,136 increase in policy acquisition costs deferred net of amortization
- $275,783 increase in net realized investment gains (that also includes a loss on other-than-temporary impairment and gain on reinsurance assumption)
- $8,460 decrease in amortization of value of insurance business acquired
- $554,933 increase in commissions
- $695,312 increase in other underwriting, insurance and acquisition expenses
- $809,150 increase in interest credited to policyholders

Corporate Operations

The $22,877 decreased revenues from Corporate Operations for the nine months ended September 30, 2015 is primarily due to $51,017 of decreased other income and $28,140 of increased net investment income.

The $118,474 decreased Corporate Operations profitability for the nine months ended September 30, 2015 is primarily due to $95,597 of increased operating expenses and $51,017 of decreased other income that exceeded $28,140 of net investment income.

Consolidated Financial Condition

Our invested assets as of September 30, 2015 and December 31, 2014 are summarized as follows:

	(Unaudited) September 30, 2015	December 31, 2014	Increase (Decrease) 2015 to 2014	Percentage Change 2015 to 2014
Assets				
Investments				
Available-for-sale fixed maturity securities at fair value (amortized cost: $129,264,756 and $107,412,322, as of September 30, 2015 and December 31, 2014, respectively)	$ 129,158,760	$ 110,651,429	$ 18,507,331	16.7%
Available-for-sale equity securities at fair value (cost: $534,912 and $519,595 as of September 30, 2015 and December 31, 2014, respectively)	614,289	671,357	(57,068)	-8.5%
Mortgage loans on real estate	55,084,951	38,649,733	16,435,218	42.5%
Investment real estate	2,362,929	9,165,090	(6,802,161)	-74.2%
Policy loans	1,474,528	1,520,620	(46,092)	-3.0%
Short-term investments	599,544	1,141,199	(541,655)	-47.5%
Other long-term investments	31,794,676	21,781,925	10,012,751	46.0%
Total investments	$ 221,089,677	$ 183,581,353	$ 37,508,324	20.4%

The $18,507,331 increase in available-for-sale fixed maturity securities for the nine months ended September 30, 2015 is primarily due to purchases of $26,575,622, securities acquired by reinsurance assumption of $3,534,093 and net realized investment gains of $288,713 in excess of sales and maturities of $7,571,843, loss on other-than-temporary impairment of $305,334, decrease in unrealized appreciation of $3,345,103 and premium amortization of $668,817. This portfolio is 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 companies, U. S. government and government agencies, states and political subdivisions and foreign securities.

As of September 30, 2015, we held 192 available-for-sale fixed maturity securities with an unrealized loss of $3,273,715, fair value of $45,913,079 and amortized cost of $49,186,794.

The $57,068 decrease in available-for-sale equity securities for the nine months ended September 30, 2015 is primarily due to sales of $533,813, net realized investment losses of $1,900, decrease in unrealized appreciation of available-for-sale equity securities of $72,385 and premium amortization of $199 in excess of purchases of $551,229. This portfolio is also reported at fair value with unrealized gains and losses, net of applicable income taxes, reflected as a separate component in shareholders' equity within “Accumulated Other Comprehensive Income (Loss).” The available-for-sale equity securities portfolio is invested in several companies.

As of September 30, 2015, we held three available-for-sale equity securities with an unrealized loss of $20,268, fair value of $162,731 and cost of $182,999.

The $16,435,218 increase in mortgage loans for the nine months ended September 30, 2015 is primarily due to the purchase of mortgage loans of $23,665,861, capitalization of loan origination fees of $74,000, realized gains on the early pay off of loans purchased at a discount of $109,837, discount accretion of $137,724 in excess of principal payments of $7,452,257, charges to the allowance for bad debts of $48,585 and amortization of loan origination fees of $51,362.

The $10,012,751 increase in other long-term investments (comprised of lottery receivables) for the nine months ended September 30, 2015 is primarily due to purchases of $11,968,198 and accretion of discount of $1,289,624 less principal payments of $3,245,071.

The $6,802,161 decrease in investment real estate is primarily due to our March 11, 2015 sale of investment real estate in buildings and land held for sale in Greensburg, Indiana; Norman, Oklahoma; Houston, Texas and Harrisonville, Missouri with an aggregate carrying value of $6,693,044 as of both December 31, 2014 and March 11, 2015. The Company recorded a gross profit on these sales of $390,202 based on an aggregate sales price of $7,083,246 less closing costs and expenses of $20,119. The remaining $109,117 difference is the depreciation of the Topeka building that is held for the production of income.

Our assets other than invested assets as of September 30, 2015 and December 31, 2014 are summarized as follows:

	(Unaudited) September 30, 2015	December 31, 2014	Increase (Decrease) 2015 to 2014	Percentage Change 2015 to 2014
Cash and cash equivalents	$ 11,978,769	$ 10,158,386	$ 1,820,383	17.9%
Accrued investment income	2,081,804	1,682,906	398,898	23.7%
Recoverable from reinsurers	1,197,636	1,222,245	(24,609)	-2.0%
Agents' balances and due premiums	1,090,615	562,146	528,469	94.0%
Deferred policy acquisition costs	11,856,105	9,287,851	2,568,254	27.7%
Value of insurance business acquired	6,382,496	6,674,414	(291,918)	-4.4%
Property and equipment, net	45,656	84,001	(38,345)	-45.6%
Other assets	6,826,345	5,747,866	1,078,479	18.8%
Assets other than investment assets	$ 41,459,426	$ 35,419,815	$ 6,039,611	17.1%

The $528,469 increase in agents' balances and due premiums is primarily due to a $525,587 increase in agents' balances. This increase is due to increased production of annuity contracts and final expense policies.

The $398,898 increase in accrued investment income is due to the $37,508,324 increase in invested assets during the first nine months of 2015.

The changes in deferred policy acquisition costs and value of business acquired are presented in the consolidated statements of operations for the nine months ended September 30, 2015. In addition, the $34,669 deferred policy acquisition costs adjustment included in other comprehensive loss is presented in the consolidated statement of comprehensive loss for the nine months ended September 30, 2015.

The change in cash and cash equivalents is presented in the consolidated statement of cash flow for the nine months ended September 30, 2015 and is discussed in more detail in the liquidity and capital resources section below.

The $38,345 decrease in property and equipment is due to the depreciation of those assets for the nine months ended September 30, 2015.

The $24,609 decrease in recoverable from reinsurers relates to the timing of collections under our reinsurance agreements.

Other assets consist primarily of recoverable federal and state income taxes, receivables from mortgage loans and other long-term assets (lottery receivables), guaranty funds, notes receivable, prepaid expenses, other receivables and loans from premium financing. Periodically there are sales of available-for-sale fixed maturity securities that overlap reporting periods.

The $1,078,479 increase in other assets is primarily due to a trade date versus settlement date difference on the sale of $1,298,509 of bonds where the proceeds were not received as of September 30, 2015 along with increases in other receivables of $557,062, notes receivables of $186,757 and recoverable state income taxes of $12,454 that exceeded decreases in receivables from mortgage loans and other long-term assets (lottery receivables) of $802,144, recoverable federal income taxes of $120,036 and prepaid assets of $41,416.

On April 15, 2015, the Company loaned $400,000 to its former Chairman. The loan has a term of one year and has a contractual interest rate of 5.50%. The loan is collateralized by 100,000 shares of the Company's Class A Common stock owned by the former Chairman.

Our liabilities as of September 30, 2015 and December 31, 2014 are summarized as follows:

	(Unaudited) September 30, 2015	December 31, 2014	Increase (Decrease) 2015 to 2014	Percentage Change 2015 to 2014
Policy liabilities				
Policyholders' account balances	$ 185,748,171	$ 140,554,973	$ 45,193,198	32.2%
Future policy benefits	38,631,023	35,913,730	2,717,293	7.6%
Policy claims	655,416	602,269	53,147	8.8%
Other policy liabilities	74,152	87,148	(12,996)	-14.9%
Total policy liabilities	225,108,762	177,158,120	47,950,642	27.1%
Notes payable	-	4,076,473	(4,076,473)	-100.0%
Deferred federal income taxes	1,364,642	2,198,753	(834,111)	-37.9%
Other liabilities	4,228,905	2,357,484	1,871,421	79.4%
Total liabilities	$ 230,702,309	$ 185,790,830	$ 44,911,479	24.2%

The $45,193,198 increase in policy liabilities is due to $45,590,381 of deposits on annuity and deposit-type contracts, $2,966,827 acquired in the reinsurance assumption and interest credited to policyholders' account balances of $4,052,780 that exceeded withdrawals of $7,416,790.

The $2,717,293 increase in future policy benefits is primarily related to the production of new policies, initial sales of policies to older age bands resulting in increased mortality reserve charges and the aging of existing policies.

On March 11, 2015, the Company sold its investment real estate in buildings and land held for sale in Greensburg, Indiana; Norman, Oklahoma; Houston, Texas and Harrisonville, Missouri with an aggregate carrying value of $6,693,044 as of both December 31, 2014 and March 11, 2015. The Company recorded a gross profit on these sales of $390,202 based on an aggregate sales price of $7,083,246 less closing costs and expenses of $20,119. In addition, simultaneously with these sales, the Company settled its two notes payable, collateralized by the held for sale buildings and land (including assignment of the tenant leases), with an aggregate payment to Grand Bank (the creditor) of $4,076,473.

On March 26, 2014, we issued two notes payable totaling $4,076,473. The first note payable totaling $3,009,265 was collateralized (including assignment of the tenant leases) by three properties, located in Indiana, Oklahoma and Texas, purchased for a total of $4,940,647 in December 2013 and February 2014.

In December 2013, TLIC purchased one acre of land in Greensburg, Indiana that included a 3,975 square foot building constructed on approximately 8% of this land at a cost of $2,444,203 (including closing costs of $50,516). The building is leased through October 31, 2027 plus four future five year extensions effective on November 1, 2027, November 1, 2032, November 1, 2037 and November 1, 2042.

The terms of the lease have the lessee responsible for paying real estate taxes, building insurance and building and ground maintenance. The monthly lease payments are as follows: $14,661 in 2014; $14,881 in 2015; $15,104 in 2016; $15,531 in 2017; $15,561 in 2018 and $15,794 in 2019.

In December 2013, TLIC also purchased one acre of land in Norman, Oklahoma that included a 9,100 square foot building constructed on approximately 18% of this land at a cost of $1,519,431 (including closing costs of $37,931). The building is leased through August 31, 2028 plus three future five year extensions on September 1, 2028, September 1, 2033 and September 1, 2038. The terms of the lease have the lessee responsible for paying real estate taxes, building insurance and building and ground maintenance. The monthly lease payments are $8,004 through August 31, 2028.

In February 2014, TLIC purchased one acre of land in Houston, Texas that included a 9,195 square foot building constructed on approximately 25% of this land at a cost of $977,013 (including closing costs of $31,063). The building is leased through December 31, 2023 plus four future five year extensions effective on January 1, 2024, January 1, 2029, January 1, 2034 and January 1, 2039. The terms of the lease have the lessee responsible for paying real estate taxes and building insurance. TLIC is responsible for building and ground maintenance. The monthly lease payments are $5,833 through December 31, 2019.

The second promissory note totaling $1,067,208 was collateralized (including assignment of the tenant leases) by the February 2014 TLIC purchase of three-fourths of an acre of land in Harrisonville, Missouri that included a 6,895 square foot building constructed on approximately 20% of this land at a cost of $1,752,397 (including closing costs of $44,864). The building is leased through October 31, 2028 plus three future five year extensions on November 1, 2028, November 1, 2033 and November 1, 2038. The terms of the lease have the lessee responsible for paying real estate taxes, building insurance and building and ground maintenance. The monthly lease payments are $9,463 through October 31, 2028.

When the two promissory notes were originated on March 26, 2014, $106,889 of loan origination fees were capitalized with amortization of the capitalized loan origination fees during the 36 month term of the loan. For the year ended December 31, 2014, $26,722 of the loan origination fees has been amortized and the unamortized loan origination fees as of December 31, 2014 were $80,167. The Company incurred $137,581 of interest expense during 2014 on these two notes payable. In connection with the repayments of the two notes payable on March 11, 2015, the Company expensed the loan origination fees remaining as of March 11, 2015 of $72,744. During the period from January 1, 2015 to March 11, 2015, the Company incurred interest expense of $35,181 on the two notes payable and amortized $7,423 of loan origination fees.

The $834,111 decrease in deferred federal income taxes during the nine months ended September 30, 2015 was due to $676,565 of decreased deferred federal income taxes on the unrealized appreciation of available-for-sale fixed maturity and equity securities and $157,546 of operating deferred tax benefits.

Other liabilities consist primarily of accrued expenses, accounts payable, deposits on pending policy applications, estimated guaranty fund assessment liability, unearned investment income, unclaimed funds and withholdings. Periodically there are purchases of available-for-sale fixed maturity securities that overlap reporting periods. There were no purchases producing trade date versus settlement date differences as of September 30, 2015.

The $1,871,421 increase in other liabilities is primarily due to a $1,613,015 increase in deposits on pending applications, a $178,355 increase in accrued expenses and $80,167 decrease in loan origination fees.

Liquidity and Capital Resources

Our operations have been financed primarily through the private placement of equity securities and intrastate public stock offerings. Through September 30, 2015, we have received $27,119,480 from the sale of our shares.

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

Our operations have been profitable and have generated $9,268,490 of net income from operations since we were incorporated in 2004. The Company also issued 702,685 shares of its common stock in connection with two stock dividends paid to shareholders in 2011 and 2012 that resulted in accumulated earnings being charged $5,270,138 with an offsetting credit of $5,270,138 to common stock and additional paid-in capital.

The historic impact of these two stock dividend charges of $5,270,138 decreased during 2011 and 2012 the balance of accumulated earnings and resulted in a reported balance as of September 30, 2015 of $3,998,352, as shown in the accumulated earnings caption in the September 30, 2015 consolidated statement of financial position.

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 September 30, 2015, we had cash and cash equivalents totaling $11,978,769. As of September 30, 2015, cash and cash equivalents of $4,331,128 and $4,472,398, respectively, of the total $11,978,769 were held by TLIC and FBLIC and may not be available for use by FTFC due to the required pre-approval by the OID and Missouri Department of Insurance of any dividend or intercompany transaction to transfer funds to FTFC. The maximum dividend, which may be paid in any twelve-month period without notification or approval, is limited to the greater of 10% of statutory surplus as of December 31 of the preceding year or the net gain from operations of the preceding calendar year.

Cash dividends may only be paid out of surplus derived from realized net profits. Based on these limitations, there is capacity for TLIC to pay a dividend up to $2,167,518 in 2015 without prior approval. In addition, based on those limitations, there is the capacity for FBLIC to pay a dividend up to $980,906 in 2015 without prior approval. FBLIC paid a dividend of $1,500,000 to TLIC in December 2014 and $1,000,000 in September 2015. These dividends were eliminated in consolidation. TLIC has paid no dividends to FTFC.

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 $10,600,616 as of September 30, 2015. Uninsured balances aggregated $6,494,515 as of December 31, 2014. Other funds are invested in mutual funds that invest in U.S. government securities. We monitor the solvency of all financial institutions in which we have funds to minimize the exposure for loss. The Company has not experienced any losses in such accounts.

Our cash flows for the nine months ended September 30, 2015 and 2014 are summarized as follows:

	(Unaudited) Nine Months Ended September 30,		Increase (Decrease)	Percentage Change
	2015	2014	2015 to 2014	2015 to 2014
Net cash provided by operating activities	$ 4,571,592	$ 970,163	$ 3,601,429	371.2%
Net cash used in investing activities	(36,809,684)	(26,916,201)	(9,893,483)	36.8%
Net cash provided by financing activities	34,058,475	22,940,767	11,117,708	48.5%
Increase (decrease) in cash	1,820,383	(3,005,271)	4,825,654	-160.6%
Cash and cash equivalents, beginning of period	10,158,386	10,608,438	(450,052)	-4.2%
Cash and cash equivalents, end of period	$ 11,978,769	$ 7,603,167	$ 4,375,602	57.5%

The $3,601,429 increase in cash provided by operating activities during the nine months ended September 30, 2015 is primarily due to decreases in expenses of $1,504,882 and taxes of $565,356 combined with increases in short-term investments of $1,933,100, premiums of $1,145,452, net investment income of $581,652 and policy loans of $60,554 that exceeded increased commissions of $2,025,478 and death benefits of $163,745.

The $9,893,483 decrease in cash used for investing activities during the nine months ended September 30, 2015 was primarily related to $9,992,970 of increased purchases of other long-term investments (lottery receivables), $6,794,166 of increased 2015 purchases of fixed maturity securities, $2,693,538 of increased 2015 purchases of mortgage loans and $2,986,687 of decreased 2015 sales and maturity of fixed maturity securities that exceeded $7,083,246 of increased proceeds from the 2015 sale of investment real estate held for sale, $2,817,857 of decreased purchases of real estate held for sale, $2,168,215 of increased 2015 payments of mortgage loans and $485,343 of increased payments of long-term investments.

The $11,117,708 increase in cash provided by financing activities for the nine months ended September 30, 2015 resulted from $21,578,571 of increased 2015 policyholder account deposits in excess of withdrawals of $2,349,274 and $41,357 of 2015 decreased purchases of treasury shares that exceeded the $8,152,946 less funds available in 2015 due to both the settlement of and issuance of note payable proceeds of $4,076,473 in 2015 and 2014.

Our shareholders' equity as of September 30, 2015 and December 31, 2014 is summarized as follows:

	(Unaudited) September 30, 2015	December 31, 2014	Increase (Decrease) 2015 to 2014	Percentage Change 2015 to 2014
Common stock, par value $.01 per share, 20,000,000 shares authorized, and 8,050,173 and 8,050,193 issued as of September 30, 2015 and December 31, 2014, respectively, and 7,802,593 and 7,812,038 outstanding as of September 30, 2015 and December 31, 2014, respectively	$ 80,502	$ 80,502	$ -	0.0%
Additional paid-in capital	28,684,598	28,684,748	(150)	0.0%
Treasury stock, at cost (247,580 and 238,155 shares as of September 30, 2015 and December 31, 2014, respectively)	(893,947)	(855,304)	(38,643)	4.5%
Accumulated other comprehensive income (loss)	(22,711)	2,683,543	(2,706,254)	-100.8%
Accumulated earnings	3,998,352	2,616,849	1,381,503	52.8%
Total shareholders' equity	$ 31,846,794	$ 33,210,338	$ (1,363,544)	-4.1%

The decrease in shareholders' equity of $1,363,544 for the nine months ended September 30, 2015 is due to $2,706,254 of other comprehensive loss and $38,643 for purchases of 9,425 shares of treasury stock from the former chairman of FTFC that exceeded net income of $1,381,353.

Equity per common share outstanding decreased 4.0% to $4.08 as of September 30, 2015 compared to $4.25 per share as of December 31, 2014, based upon 7,802,593 common shares outstanding as of September 30, 2015 and 7,812,038 common shares outstanding as of December 31, 2014.

The liquidity requirements of our life insurance companies are met primarily by funds provided from operations. Premium deposits and revenues, 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 2015 or 2014. Our investments consist primarily of marketable debt securities that could be readily converted to cash for liquidity needs.

We are subject to various market risks. The quality of our investment portfolio and the current level of shareholders' equity continue to provide a sound financial base as we strive to expand our marketing to offer competitive products. Our investment portfolio had unrealized appreciation (depreciation) on available-for-sale securities of ($26,619) and $3,390,869 as of September 30, 2015 and December 31, 2014, respectively, prior to the impact of income taxes and deferred acquisition cost adjustments. The $3,417,488 decrease in unrealized gains arising for the nine months ended September 30, 2015 has been offset by net realized investment losses for the nine months ended September 30, 2015 of $18,521 originating from the sale and call activity for available-for-sale fixed maturity and equity securities and a loss on other-than-temporary impairment.

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. We maintain conservative durations in our fixed maturity portfolio. As of September 30, 2015, cash, short-term investments and the fair value of fixed maturity available-for-sale securities with maturities of less than one year and the fair value of lottery receivables with maturities of less than one year equaled 10.0% 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 NAIC 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 2014, the SVL also requires the Company to perform annual cash flow testing for TLIC and FBLIC. This testing is designed to ensure that statutory reserve levels will maintain adequate protection in a variety of potential interest rate scenarios. The Actuarial Standards Board of the American Academy of Actuaries also requires cash flow testing as a basis for the actuarial opinion on the adequacy of the reserves which is a required part of the annual statutory reporting process.

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

The operations of TLIC and FBLIC may require additional capital contributions to meet statutory capital and surplus requirements mandated by state insurance departments. Life insurance contract liabilities are generally long term in nature and are generally paid from future cash flows or existing assets and reserves.

We will service other expenses and commitments by: (1) using available cash, (2) dividends from TLIC and FBLIC that are limited by law to the greater of prior year net operating income or 10% of prior year-end surplus unless specifically approved by the controlling insurance department, (3) public and private offerings of our common stock and (4) corporate borrowings, if necessary.

We are not aware of any commitments or unusual events that could materially affect our capital resources. We are not aware of any current recommendations by any regulatory authority which, if implemented, would have a material adverse effect on our liquidity, capital resources or operations.

We believe that our existing cash and cash equivalents as of September 30, 2015 will be sufficient to fund our anticipated operating expenses.

Off-Balance Sheet Arrangements

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

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

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

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

These factors include among others:

- general economic conditions and financial factors, including the performance and fluctuations of fixed income, equity, real estate, credit capital and other financial markets;
- differences between actual experience regarding mortality, morbidity, persistency, surrenders, investment returns, and our pricing assumptions establishing liabilities and reserves or for other purposes;
- the effect of increased claims activity from natural or man-made catastrophes, pandemic disease, or other events resulting in catastrophic loss of life;
- adverse determinations in litigation or regulatory matters and our exposure to contingent liabilities, including and in connection with our divestiture or winding down of businesses such as FTCC;
- inherent uncertainties in the determination of investment allowances and impairments and in the determination of the valuation allowance on the deferred income tax asset;
- investment losses and defaults;
- competition in our product lines;
- attraction and retention of qualified employees and agents;
- ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks;
- the availability, affordability and adequacy of reinsurance protection;
- the effects of emerging claim and coverage issues;
- the cyclical nature of the insurance business;
- interest rate fluctuations;
- changes in our experiences related to deferred policy acquisition costs;
- the ability and willingness of counterparties to our reinsurance arrangements and derivative instruments to pay balances due to us;
- rating agencies' actions;
- 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 introduction of alternative healthcare solutions;
- the assimilation of life insurance businesses we acquire and the sound management of these businesses; and
- the availability of capital to expand our business.

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes to Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three months ended September 30, 2015 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

The Company and Chairman, President and Chief Executive Officer, Gregg E. Zahn, filed an action in the District Court of Tulsa County, Oklahoma in 2013, Case No. CJ-2013-03385, against former Company Board of Directors member, Wayne Pettigrew and Mr. Pettigrew's company, Group & Pension Planners, Inc. (the "Defendants"). The petition filed in the case alleges that Mr. Pettigrew, during and after the time he was a member of the Company's Board of Directors, made defamatory statements regarding the Company and Mr. Zahn and committed breaches of his fiduciary duties to the Company. The defendants are alleged to have made defamatory statements to certain shareholders of the Company, to the press and to the Oklahoma Insurance Department and the Oklahoma Department of Securities. Mr. Pettigrew has denied the allegations.

The Board of Directors, represented by independent counsel, concluded that there was no action to be taken against Mr. Zahn and that the allegations by Mr. Pettigrew were without substance. The Company has been informed by the Oklahoma Insurance Department that it would take no action and was also informed that the Oklahoma Department of Securities, after its investigation of the allegations, concluded that no proceedings were needed with respect to the alleged matters.

It is the Company's intention to vigorously prosecute this action against the Defendants for damages and for the correction of the defamatory statements. In the opinion of the Company's management, the ultimate resolution of any contingencies that may arise from this litigation is not considered material in relation to the financial position or results of operations of the Company.

Prior to its acquisition by TLIC, FBLIC developed, marketed, and sold life insurance products known as "Decreasing Term to 95" policies. On January 17, 2013, FBLIC's Board of Directors voted that, effective March 1, 2013, it was not approving, and therefore was not providing, a dividend for the Decreasing Term to 95 policies. On November 22, 2013, three individuals who owned Decreasing Term to 95 policies filed a Petition in the Circuit Court of Greene County, Missouri asserting claims against FBLIC relating to FBLIC's decision to not provide a dividend under the Decreasing Term to 95 policies.

The Petition asserts claims for breach of contract and anticipatory breach of contract and alleges that FBLIC breached, and will anticipatorily breach, the Decreasing Term to 95 policies of insurance by not providing a dividend sufficient to purchase a one year term life insurance policy which would keep the death benefit under the Decreasing Term to 95 policies the same as that provided during the first year of coverage under the policy. In addition to these claims, the Petition asserts claims for negligent misrepresentation, fraud, and violation of the Missouri Merchandising Practices Act ("MMPA").

It alleges that during its sale of the Decreasing Term to 95 policies, FBLIC represented that the owners of these policies would always be entitled to dividends to purchase a one-year term life insurance policy and that the owners would have a level death benefit without an increase in premium.

The Petition also seeks to certify a class of individuals with similar claims but no class has been certified by the Court. FBLIC denies the allegations in the Petition and will continue to defend against them. It is the Company's intention to vigorously defend the request for class certification, as well as to defend vigorously against the individual allegations. FBLIC filed a motion for partial summary judgment seeking summary judgment on the claims for violation of MMPA. This motion for partial summary judgment asked the court to declare that the MMPA does not apply to insurance companies such as FBLIC and enter judgment for FBLIC on the petition. A hearing for the motion of summary judgment was held on February 25, 2015 and it was subsequently denied by the court on March 2, 2015. The Company is unable to determine the potential magnitude of the claims in the event of a final certification and the plaintiffs prevailing on this substantive action.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

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

SIGNATURES

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

FIRST TRINITY FINANCIAL CORPORATION
an Oklahoma corporation

November 12, 2015

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

November 12, 2015

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: November 12, 2015

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: November 12, 2015

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 September 30, 2015 (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: November 12, 2015

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 September 30, 2015 (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: November 12, 2015

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