

SECURITY NATIONAL FINANCIAL CORP  
Form 10-K  
March 29, 2019

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018, or

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 000-09341

SECURITY NATIONAL FINANCIAL CORPORATION  
(Exact name of registrant as specified in its charter)

UTAH 87-0345941  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

5300 South 360 West, Suite 250 Salt Lake City, Utah 84123  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (801) 264-1060

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934: None

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934:

<u>Title of each class which registered</u>	<u>Name of each exchange on</u>
Class A common stock, \$2.00 Par Value	Nasdaq Stock Market
Class C common stock, \$2.00 Par Value	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the  
Exchange Act. Yes  No

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 preceding 12 months (or for such 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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See the 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   
Nonaccelerated filer  Smaller reporting company

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

As of June 30, 2018, the aggregate market value of the registrant's Class A common stock held by non-affiliates of the registrant was approximately \$31,000,000 based on the \$5.20 closing sale price of the Class A common stock as reported on The Nasdaq Stock Market.

As of March 27, 2019, there were outstanding 15,312,687 shares of Class A common stock, \$2.00 par value per share, and 2,190,361 shares of Class C common stock, \$2.00 par value per share.

Documents Incorporated by Reference

None.

---

**Security National Financial Corporation**

Form 10-K

For the Fiscal Year Ended December 31, 2018

TABLE OF CONTENTS

	Page
Part I	
Item 1. Business	3
Item 2. Properties	11
Item 3. Legal Proceedings	13
Item 4. Mine Safety Disclosures	15
Part II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	15
Item 6. Selected Financial Data	17
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	17
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	29
Item 8. Financial Statements and Supplementary Data	29
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	101
Item 9A. Controls and Procedures	101
Item 9B. Other Information	101
Part III	
Item 10. Directors, Executive Officers and Corporate Governance	102
Item 11. Executive Compensation	107
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	117
Item 13. Certain Relationships and Related Transactions, and Director Independence	119
Item 14. Principal Accounting Fees and Services	120
Part IV	



## PART I

### Item 1. Business

Security National Financial Corporation (the “Company”) operates in three main business segments: life insurance, cemetery and mortuary, and mortgages. The life insurance segment is engaged in the business of selling and servicing selected lines of life insurance, annuity products, and accident and health insurance. These products are marketed in 38 states through a commissioned sales force of independent licensed insurance agents who may also sell insurance products of other companies. The cemetery and mortuary segment consists of eight mortuaries and six cemeteries in the state of Utah and one cemetery in the state of California. The Company also engages in pre-need selling of funeral, cemetery, mortuary, and cremation services through its Utah and California operations. Many of the insurance agents also sell pre-need funeral, cemetery, and cremation services. The mortgage segment originates and underwrites or otherwise purchases residential and commercial loans for new construction, existing homes, and other real estate projects. The mortgage segment operates through 97 retail offices and one wholesale office in 20 states, and is an approved mortgage lender in several other states.

The Company’s design and structure are that each business segment is related to the other business segments and contributes to the profitability of the other segments. The Company’s cemetery and mortuary segment provides a level of public awareness that assists in the sales and marketing of insurance and pre-need cemetery and funeral products. The Company’s insurance segment invests their assets (including, in part, pre-need funeral products and services) in investments authorized by the respective insurance departments of their states of domicile. The Company also pursues growth through acquisitions. The Company’s mortgage segment provides mortgage loans and other real estate investment opportunities.

The Company was organized as a holding company in 1979, when Security National Life Insurance Company (“Security National Life”) became a wholly owned subsidiary of the Company and the former stockholders of Security National Life became stockholders of the Company. Security National Life was formed in 1965 and has acquired or purchased significant blocks of business which include Capital Investors Life Insurance Company (1994), Civil Service Employees Life Insurance Company (1995), Southern Security Life Insurance Company (1998), Menlo Life Insurance Company (1999), Acadian Life Insurance Company (2002), Paramount Security Life Insurance Company (2004), Memorial Insurance Company of America (2005), Capital Reserve Life Insurance Company (2007), Southern Security Life Insurance Company, Inc. (2008), North America Life Insurance Company (2011, 2015), Trans-Western Life Insurance Company (2012), Mothe Life Insurance Company (2012), DLE Life Insurance Company (2012), American Republic Insurance Company (2015) and First Guaranty Insurance Company (2016).

The cemetery and mortuary operations have also grown through the acquisition of other cemetery and mortuary companies. The cemetery and mortuary companies that the Company has acquired are Holladay Memorial Park, Inc. (1991), Cottonwood Mortuary, Inc. (1991), Deseret Memorial, Inc. (1991), Probst Family Funerals and Cremations L.L.C. (2019), and Heber Valley Funeral Home, Inc. (2019).

In 1993, the Company formed SecurityNational Mortgage Company (“SecurityNational Mortgage”) to originate and refinance residential mortgage loans. In 2012, the Company formed Green Street Mortgage Services, Inc. (now known as EverLEND Mortgage Company) (“EverLEND Mortgage”) also to originate and refinance residential mortgage loans.

See Note 15 of the Notes to Consolidated Financial Statements for additional information regarding business segments of the Company.

#### Life Insurance

#### Products

The Company, through Security National Life, issues and distributes selected lines of life insurance and annuities. The Company's life insurance business includes funeral plans and interest-sensitive life insurance, as well as other traditional life, accident, and health insurance products. The Company places specific marketing emphasis on funeral plans through pre-need planning. The Company's other insurance subsidiaries, First Guaranty Insurance Company ("First Guaranty"), Memorial Insurance Company of America ("Memorial Insurance"), Southern Security Life Insurance Company, Inc. ("Southern Security") and Trans-Western Life Insurance Company ("Trans-Western"), service and maintain policies that were purchased prior to their acquisition by Security National Life.

3

---

A funeral plan is a small face value life insurance policy that generally has face coverage of up to \$25,000. The Company believes that funeral plans represent a marketing niche that has lower competition because most insurance companies do not offer similar coverage. The purpose of the funeral plan policy is to pay the costs and expenses incurred at the time of a person's death. On a per thousand-dollar cost of insurance basis, these policies can be more expensive to the policyholder than many types of non-burial insurance due to their low face amount, requiring the fixed cost of the policy administration to be distributed over a smaller policy size, and the simplified underwriting practices that result in higher mortality costs.

#### Markets and Distribution

The Company is licensed to sell insurance in 38 states. The Company, in marketing its life insurance products, seeks to locate, develop and service specific niche markets. The Company's funeral plan policies are sold primarily to persons who range in age from 45 to 85 and have low to moderate income. A majority of the Company's funeral plan premiums come from the states of Arkansas, California, Florida, Georgia, Louisiana, Mississippi, Texas, and Utah.

The Company sells its life insurance products through direct agents, brokers, and independent licensed agents who may also sell insurance products of other companies. The commissions on life insurance products range from approximately 50% to 120% of first year premiums. In those cases, where the Company utilizes its direct agents in selling such policies, those agents customarily receive advances against future commissions.

In some instances, funeral plan insurance is marketed in conjunction with the Company's cemetery and mortuary sales force. When it is marketed by that group, the beneficiary is usually the Company's cemeteries and mortuaries. Thus, death benefits that become payable under the policy are paid to the Company's cemetery and mortuary subsidiaries to the extent of services performed and products purchased.

In marketing funeral plan insurance, the Company also seeks and obtains third-party endorsements from other cemeteries and mortuaries within its marketing areas. Typically, these cemeteries and mortuaries will provide letters of endorsement and may share in mailing and other lead-generating costs since these businesses are usually made the beneficiary of the policy. The following table summarizes the life insurance business for the five years ended December 31, 2018:

	2018	2017	2016	2015	2014
Life Insurance Policy/Cert Count as of December 31	531,831	533,065	531,775	(1) 509,058	497,933
Insurance in force as of December 31 (omitted 000)	\$1,838,488	\$1,759,148	\$1,672,081	(1) \$2,862,803	\$2,763,496
Premiums Collected (omitted 000)	\$74,965	\$69,565	\$65,220	(1) \$55,780	\$52,418

(1) Includes the acquisition of First Guaranty and the termination of the reinsurance assumed from Servicemembers' Group Life Insurance ("SGLI").

#### Underwriting

The factors considered in evaluating an application for ordinary life insurance coverage can include the applicant's age, occupation, general health, and medical history. Upon receipt of a satisfactory (non-funeral plan insurance) application, which contains pertinent medical questions, the Company issues insurance based upon its medical limits and requirements subject to the following general non medical limits:

Age Nearest Non Medical  
 Birthday Limits

0 - 50	\$ 100,000
51 - up	Medical information required (APS or exam)

When underwriting life insurance, the Company will sometimes issue policies with higher premium rates for substandard risks.

4

---



The Company's funeral plan insurance is written on a simplified medical application with underwriting requirements being a completed application, a phone inspection on the applicant, and an intelligiscript prescription history inquiry. There are several underwriting classes in which an applicant can be placed.

#### Annuities

##### Products

The Company's annuity business includes single premium deferred annuities, flexible premium deferred annuities, and immediate annuities. A single premium deferred annuity is a contract where the individual remits a sum of money to the Company, which is retained on deposit until such time as the individual may wish to annuitize or surrender the contract for cash. A flexible premium deferred annuity gives the contract holder the right to make premium payments of varying amounts or to make no further premium payments after his initial payment. These single and flexible premium deferred annuities can have initial surrender charges. The surrender charges act as a deterrent to individuals who may wish to prematurely surrender their annuity contracts. An immediate annuity is a contract in which the individual remits a sum of money to the Company in return for the Company's obligation to pay a series of payments on a periodic basis over a designated period of time, such as an individual's life, or for such other period as may be designated.

Annuities have guaranteed interest rates that range from 1% to 6.5% per annum. Rates above the guaranteed interest rate credited are periodically modified by the Board of Directors at its discretion. In order for the Company to realize a profit on an annuity product, the Company must maintain an interest rate spread between its investment income and the interest rate credited to the annuities. Commissions, issuance expenses, and general and administrative expenses are deducted from this interest rate spread.

##### Markets and Distribution

The general market for the Company's annuities is middle to older age individuals. A major source of annuity sales come from direct agents and are sold in conjunction with other insurance sales. If an individual does not qualify for a funeral plan, the agent will often sell that individual an annuity to fund final expenses.

The following table summarizes the annuity business for the five years ended December 31, 2018:

	2018	2017	2016	2015	2014
Annuities Policy/Cert Count as of December 31	22,313	22,729	21,364 (1)	12,022	12,701
Deposits Collected (omitted 000)	\$9,644	\$10,353	\$11,019 (1)	\$8,069	\$8,010

(1) Includes the acquisition of First Guaranty.

#### Accident and Health

##### Products

With the acquisition of Capital Investors in 1994, the Company acquired a small block of accident and health policies. Since 1999, the Company has offered a low-cost comprehensive diver's accident policy that provides worldwide coverage for medical expense reimbursement in the event of a diving accident.

##### Markets and Distribution

The Company currently markets its diver's accident policies through the internet.

The following table summarizes the accident and health insurance business for the five years ended December 31, 2018:

	2018	2017	2016	2015	2014
Accident and Health Policy/Cert Count as of December 31	3,763	4,069	4,761	5,185	5,838
Premiums Collected (omitted 000)	\$98	\$104	\$113	\$119	\$133

5

---

## Reinsurance

The primary purpose of reinsurance is to enable an insurance company to issue an insurance policy in an amount larger than the risk the insurance company is willing to assume for itself. The insurance company remains obligated for the amounts reinsured (ceded) in the event the reinsurers do not meet their obligations.

The Company currently cedes and assumes certain risks with various authorized unaffiliated reinsurers pursuant to reinsurance treaties, which are generally renewed annually. The premiums paid by the Company are based on a number of factors, primarily including the age of the insured and the risk ceded to the reinsurer.

It is the Company's policy to retain no more than \$100,000 of ordinary insurance per insured life, with the excess risk being reinsured. The total amount of life insurance reinsured by other companies as of December 31, 2018, was \$56,706,000, which represents approximately 3.1% of the Company's life insurance in force on that date.

See "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Notes to Consolidated Financial Statements" for additional disclosure and discussion regarding reinsurance.

## Investments

The investments that support the Company's life insurance and annuity obligations are determined by the investment committees of the Company's subsidiaries and ratified by the full Board of Directors of the respective subsidiaries. A significant portion of the Company's investments must meet statutory requirements governing the nature and quality of permitted investments by its insurance subsidiaries. The Company maintains a diversified investment portfolio consisting of common stocks, preferred stocks, municipal bonds, corporate bonds, mortgage loans, real estate, and other securities and investments.

See "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Notes to Consolidated Financial Statements" for additional disclosure and discussion regarding investments.

## Cemetery and Mortuary

### Products

Through its cemetery and mortuary segment, the Company markets a variety of products and services both on a pre-need basis (prior to death) and an at-need basis (at the time of death). The products include: plots, interment vaults, mausoleum crypts, markers, caskets, urns and other death care related products. These services include: professional services of funeral directors, opening and closing of graves, use of chapels and viewing rooms, and use of automobiles and clothing. The Company has a mortuary at each of its cemeteries, other than Holladay Memorial Park and Singing Hills Memorial Park, and has four separate stand-alone mortuary facilities.

### Markets and Distribution

The Company's pre-need cemetery and mortuary sales are marketed to persons of all ages but are generally purchased by persons 45 years of age and older. The Company is limited in its geographic distribution of these products to areas lying within an approximate 20-mile radius of its mortuaries and cemeteries. The Company's at-need sales are similarly limited in geographic area.

The Company actively seeks to sell its cemetery and funeral products to customers on a pre-need basis. The Company employs cemetery sales representatives on a commission basis to sell these products. Many of these pre-need cemetery and mortuary sales representatives are also licensed insurance salesmen and sell funeral plan insurance. In some instances, the Company's cemetery and mortuary facilities are the named beneficiaries of the funeral plan

policies.

Potential customers are located via telephone sales prospecting, responses to letters mailed by the pre-planning consultants, newspaper inserts, referrals, and door-to-door canvassing. The Company trains its sales representatives and helps generate leads for them.

6

---

## Mortgage Loans

### Products

The Company, through its wholly owned subsidiaries, SecurityNational Mortgage and EverLEND Mortgage, are active in the residential real estate market. SecurityNational Mortgage is approved by the U.S. Department of Housing and Urban Development (HUD), the Federal National Mortgage Association (Fannie Mae), and other secondary market investors, to originate a variety of residential mortgage loan products, which are subsequently sold to investors. EverLEND Mortgage is approved by the U.S. Department of Housing and Urban Development (HUD), and other secondary market investors, to originate a variety of residential mortgage loan products, which are subsequently sold to investors. The Company uses internal and external funding sources to fund mortgage loans.

Security National Life originates and funds commercial real estate loans, residential construction loans, and land development loans for internal investment.

### Markets and Distribution

The Company's residential mortgage lending services are marketed primarily to real estate brokers and some independent mortgage loan originators. The Company has a strong retail origination presence in the Utah, Florida, Nevada, and Texas markets in addition to one wholesale branch office located in Utah, with sales representatives in these and other states. See "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Notes to Consolidated Financial Statements" for additional disclosure and discussion regarding mortgage loans.

### Recent Acquisitions and Other Business Activities

#### Acquisitions

##### Acquisition of Beta Capital Corp.

On June 1, 2018, the Company completed a stock purchase transaction with Beta Capital Corp. ("Beta Capital") and Ronald D. Maxson ("Maxson"), the sole owner of all the outstanding shares of common stock of Beta Capital, to purchase all of the outstanding shares of common stock of Beta Capital. Beta Capital is engaged in the operation of a factoring business with the principal purpose of providing funding for funeral homes and mortuaries. For the year ended December 31, 2017, Beta Capital had revenues of \$1,208,000 with a net pre-tax income of \$204,000. As of December 31, 2017, the total assets of Beta Capital were \$3,270,000 and total equity was \$1,832,000.

Under the terms of the transaction, as set forth in the Stock Purchase Agreement, dated June 1, 2018, by and among the Company, Beta Capital and Maxson, the Company paid Maxson the purchase consideration at the closing of the transaction equal to the sum of (i) \$890,000 in cash plus (ii) the accounts receivable value of \$2,515,783, representing the total amount of the Company's outstanding receivables as of the closing date of June 1, 2018, for a total closing payment of \$3,405,783. From the \$3,405,783 closing payment, a holdback amount equal to \$175,000 was deposited into an interest bearing escrow account to be held for a period of eighteen months from the closing date to pay off any uncollected accounts receivable and other liabilities of Beta Capital as of the closing date.

##### Acquisition of Probst Family Funerals and Cremations and Heber Valley Funeral Home

On February 15, 2019, the Company, through its wholly-owned subsidiary, Memorial Mortuary Inc., completed an asset purchase transaction with Probst Family Funerals and Cremations, LLC. ("Probst Family Funerals") and Heber Valley Funeral Home, Inc. ("Heber Valley Funeral Home"). These funeral homes are both located in Heber Valley, a community situated about 45 miles southeast of Salt Lake City. For the year ended December 31, 2018, Probst Family Funerals and Heber Valley Funeral Home had combined revenues of \$1,055,634 and a combined net pre-tax income

of \$179,613. As of December 31, 2018, Probst Family Funerals and Heber Valley Funeral Home had combined assets of \$1,161,029 and a combined total equity of \$18,052.

Under the terms of the transaction, as set forth in the Asset Purchase Agreement, dated February 15, 2019, by and among SN Probst LLC, a wholly owned subsidiary of Memorial Mortuary (“SN Probst”), and Probst Family Funerals, Heber Valley Funeral Home, Joe T. Probst, Clinton Wayne Probst, Calle J. Probst, and Marsha L. Probst, Memorial Mortuary, through its wholly owned subsidiary SN Probst, paid the purchase price of \$3,300,000 for the business and assets of Probst Family Funerals and Heber Valley Funeral Home, subject to a \$150,000 holdback. At the closing, Probst Funeral Homes and Heber Valley Funeral Home paid off the \$907,407 principal balance and \$4,340 in interest on a loan at Zions Bank that was secured by the Heber Valley Funeral Home. Also, at the closing, Probst Funeral Homes and Heber Valley Funeral Home paid off the \$157,148 loan with Utah Community Credit Union and the \$32,987 line of credit with Zions Bank.

7

---

## Real Estate Development

The Company is capitalizing on the opportunity to develop commercial assets on its existing properties. The cost to acquire existing for-sale assets currently exceeds the replacement costs, thus creating the opportunity for development and redevelopment of the land that the Company currently owns. The Company has developed, or is in the process of developing, assets that have an initial development cost exceeding \$100,000,000. The Company plans to continue its development endeavors as the market demands.

### Center53 Development

In 2015, the Company broke ground and commenced development on the first phase of its new corporate campus. The anticipated project, comprising nearly 20 acres of land that is currently owned by the Company in the central valley of Salt Lake City, is envisioned to be a multi-year, phased development. At full development, the project will include nearly one million square-feet in six buildings, ranging from four to ten stories, and will be serviced by three parking structures with about 4,000 stalls. The first phase of the project includes a building and a parking garage consisting of nearly 200,000 square feet of office and retail space with 748 parking stalls. This phase of the campus was completed in July 2017 and is currently 65% leased. The Company continues to market the property to potential tenants.

### Sale of Dry Creek at East Village Apartments

On March 29, 2018, the Company through its wholly owned subsidiary, Security National Life, completed the sale of the Dry Creek at East Village (“Dry Creek”) apartments to a subsidiary of Dinapoli Capital Partners, LLC (“Dinapoli Capital”) pursuant to the terms of the Purchase and Sale Agreement, dated February 14, 2018, between Security National Life and Dinapoli Capital. The purchase price paid for the Dry Creek apartments was \$57,000,000. From the proceeds that Security National Life received from the sale of the apartment complex, \$26,802,904 was used to pay off an existing loan at Zions First National Bank, N.A., which was secured by a security interest in the apartment complex. A brokerage commission of \$285,000 and legal fees and related costs were also paid from the purchase proceeds. The Company’s book basis in Dry Creek was approximately \$34,250,000, and the Company recognized a gain of approximately \$22,252,000 from the sale in the first quarter of 2018.

## Regulation

The Company’s insurance subsidiaries are subject to comprehensive regulation in the jurisdictions in which they do business under statutes and regulations administered by state insurance commissioners. Such regulation relates to, among other things, prior approval of the acquisition of a controlling interest in an insurance company; standards of solvency which must be met and maintained; licensing of insurers and their agents; nature of and limitations on investments; deposits of securities for the benefit of policyholders; approval of policy forms and premium rates; periodic examinations of the affairs of insurance companies; annual and other reports required to be filed on the financial condition of insurers or for other purposes; and requirements regarding aggregate reserves for life policies and annuity contracts, policy claims, unearned premiums, and other matters. The Company’s insurance subsidiaries are subject to this type of regulation in any state in which they are licensed to do business. Such regulation could involve additional costs, restrict operations, or delay implementation of the Company’s business plans.

The Company’s life insurance subsidiaries are currently subject to regulation in Utah, Arkansas, Louisiana, Mississippi and Texas under insurance holding company legislation, and other states where applicable. Generally, intercompany transfers of assets and dividend payments from insurance subsidiaries are subject to prior notice of approval from the state insurance department, if they are deemed “extraordinary” under these statutes. The insurance subsidiaries are required, under state insurance laws, to file detailed annual reports with the supervisory agencies in each of the states in which they do business. Their business and accounts are also subject to examination by these agencies. The Company completed an examination by Louisiana for the three year period ending December 31, 2016 and has also

completed examinations by Arkansas, Mississippi, Texas and Utah for the four year period ending December 31, 2017. The Texas Department of Banking also audits pre-need insurance policies that are issued in the state of Texas. Pre-need policies are life and annuity products sold as the funding mechanism for funeral plans through funeral homes by Security National agents. The Company is required to send the Texas Department of Banking an annual report that summarizes the number of policies in force and the face amount or death benefit for each policy. This annual report also indicates the number of new policies issued for that year, all death claims paid that year, and all premiums received.

8

---



The Company's cemetery and mortuary subsidiaries are subject to the Federal Trade Commission's comprehensive funeral industry rules and to state regulations in the various states where such operations are domiciled. The morticians must be licensed by the respective state in which they provide their services. Similarly, the mortuaries and cemeteries are governed and licensed by state statutes and city ordinances in Utah and California. Reports are required to be kept on file on a yearly basis which include financial information concerning the number of spaces sold and, where applicable, funds provided to the Endowment Care Trust Fund. Licenses are issued annually on the basis of such reports. The cemeteries maintain city or county licenses where they conduct business.

The Company's mortgage subsidiaries are subject to the rules and regulations of the U.S. Department of Housing and Urban Development (HUD), and to various state licensing acts and regulations and the Consumer Financial Protection Bureau (CFPB). These regulations, among other things, specify minimum capital requirements, procedures for loan origination and underwriting, licensing of brokers and loan officers, quality review audits and the fees that can be charged to borrowers. Each year, the Company is required to have an audit completed for each mortgage subsidiary by an independent registered public accounting firm to verify compliance under some of these regulations. In addition to the government regulations, the Company must meet loan requirements, and underwriting guidelines of various investors who purchase the loans.

#### Income Taxes

The Company's insurance subsidiaries, Security National Life and First Guaranty, are taxed under the Life Insurance Company Tax Act of 1984. Under the act, life insurance companies are taxed at standard corporate rates on life insurance company taxable income. Life insurance company taxable income is gross income less general business deductions and reserves for future policyholder benefits (with modifications). The Company may be subject to the corporate Alternative Minimum Tax (AMT) for tax years ending prior to January 1, 2018. The Tax Cuts and Jobs Act (the "Tax Act") repealed the corporate AMT for tax years beginning after December 31, 2017. Also, under the Tax Act, December 31, 2017 policyholder surplus account balances result in taxable income over a period of eight years.

Security National Life and First Guaranty calculate their life insurance taxable income after establishing a provision representing a portion of the costs of acquisition of such life insurance business. The effect of the provision is that a certain percentage of the Company's premium income is characterized as deferred expenses and recognized over a five or ten-year period. The Tax Act changed this recognition period for amounts deferred after December 31, 2017 to a five or fifteen-year period.

The Company's non life insurance company subsidiaries are taxed in general under the regular corporate tax provisions. The following subsidiaries are regulated as life insurance companies but do not meet the Internal Revenue Code definition of a life insurance company, so they are taxed as insurance companies other than life insurance companies: Memorial Insurance, Southern Security, and Trans-Western.

#### Competition

The life insurance industry is highly competitive. There are approximately 1,000 legal reserve life insurance companies in business in the United States. These insurance companies differentiate themselves through marketing techniques, product features, price, and customer service. The Company's insurance subsidiaries compete with a large number of insurance companies, many of which have greater financial resources, a longer business history, and more diversified line of insurance products than the Company. In addition, such companies generally have a larger sales force. Further, the Company competes with mutual insurance companies which may have a competitive advantage because all profits accrue to policyholders. Because the Company is smaller by industry standards and lacks broad diversification of risk, it may be more vulnerable to losses than larger, better-established companies. The Company believes that its policies and rates for the markets it serves are generally competitive.

The cemetery and mortuary industry is also highly competitive. In the Utah and California markets where the Company competes, there are a number of cemeteries and mortuaries which have longer business histories, more established positions in the community, and stronger financial positions than the Company. In addition, some of the cemeteries with which the Company must compete for sales are owned by municipalities and, as a result, can offer lower prices than can the Company. The Company bears the cost of a pre need sales program that is not incurred by those competitors which do not have a pre need sales force. The Company believes that its products and prices are generally competitive with those in the industry.

9

---

The mortgage industry is highly competitive with a large number of mortgage companies and banks in the same geographic area in which the Company is operating. The mortgage industry in general is sensitive to changes in interest rates and the refinancing market is particularly vulnerable to changes in interest rates.

#### Employees

As of December 31, 2018, the Company had 1,237 full-time and 196 part-time employees.

10

---

## Item 2. Properties

The following table sets forth the location of the Company's office facilities and certain other information relating to these properties.

<u>Street</u>	City	State	Function	Owned / Leased	Approximate Square Footage	Lease Amount	Expiration
5300 S. 360 W.	Salt Lake City	UT	Corporate Headquarters	Owned	36,000	N/A	N/A
5201 S. Green St.	Salt Lake City	UT	Mortgage Operations	Owned	12,498	N/A	N/A
1044 River Oaks Dr.	Flowood	MS	Insurance Operations	Owned	5,522	N/A	N/A
5239 Greenpine Dr.	Murray	UT	Funeral Service Operations	Owned	1,642	N/A	N/A
121 W. Election Rd., Suite 100	Draper	UT	Mortgage Sales	Owned	15,119	N/A	N/A
497 Sutton Bridge Rd.	Rainbow City	AL	Fast Funding Operations	Leased	12,850	\$8,000 / mo	12/31/2019
3515 Pelham Rd., Suite 200	Greenville	SC	Fast Funding Operations	Leased	4,000	\$4,333 / mo	6/30/2019
4007 Seaboard Court, Suite 1	Portsmouth	VA	Fast Funding Operations	Leased	N/A	\$3,000 / mo	5/31/2020
16427 North Scottsdale Rd.	Scottsdale	AZ	Mortgage Sales	Leased	3,966	\$10,742 / mo	12/31/2019
17015 N. Scottsdale Rd., Suite 125	Scottsdale	AZ	Mortgage Sales	Leased	6,070	\$13,415 / mo	4/30/2020
8600 East Anderson Dr., Suite 240	Scottsdale	AZ	Mortgage Sales	Leased	3,756	\$8,764 / mo	8/31/2019
1819 S. Dobson Rd., Suite 202/203	Mesa	AZ	Mortgage Sales	Leased	2,397	\$2,447 / mo	7/31/2019
17505 N 79th Ave., Suite 213-E	Glendale	AZ	Mortgage Sales	Leased	N/A	\$650 / mo	6/30/2019
5100 N. 99th Ave., Suite 100	Phoenix	AZ	Mortgage Sales	Leased	2,540	\$3,175 / mo	10/22/2021
1930 S Alma School Rd.	Mesa	AZ	Mortgage Sales	Leased	1,762	\$1,909 / mo	9/14/2019
2999 Douglas Blvd.	Roseville	CA	Mortgage Sales	Leased	1,515	\$3,485 / mo	6/30/2020
4 Upper Newport Plaza, Suite. 103	Newport Beach	CA	Mortgage Sales	Sub-Leased	N/A	\$850 / mo	month to month
8525 Madison Ave., Suite 142	Fair Oaks	CA	Mortgage Sales	Leased	1,200	\$4,132 / mo	6/30/2019
3435 South Demaree	Visalia	CA	Mortgage Sales	Leased	1,740	\$2,175 / mo	4/30/2019
2333 San Ramon Vallue Blvd.	San Ramon	CA	Mortgage Sales	Leased	1,563	\$4,064 / mo	5/14/2019
140 Gregory Ln.	Pleasant Hill	CA	Mortgage Sales	Leased	3,125	\$6,094 / mo	1/31/2019
3908 Hathaway Ave.	Long Beach	CA	Mortgage Sales	Leased	200	\$100 / mo	month to month

## Edgar Filing: SECURITY NATIONAL FINANCIAL CORP - Form 10-K

13191 Crossroads Parkway	City of Industry	CA	Mortgage Sales	Sub-Leased	2,569	\$6,316	/ mo	7/31/2020
8480 E. Orchard Rd., Suite 4200	Greenwood Village	CO	Mortgage Sales	Leased	4,631	\$9,841	/ mo	5/31/2021
1120 W. 122nd Ave., Suite 104	Denver	CO	Mortgage Sales	Leased	2,088	\$3,654	/ mo	10/31/2021
7100 E. Belleview Ave.	Greenwood Colorado	CO	Mortgage Sales	Leased	2,549	\$5,310	/ mo	11/30/2019
5475 Tech Center Dr., Suite 100	Springs	CO	Mortgage Sales	Leased	3,424	\$3,852	/ mo	7/31/2020
8191 College Parkway, Suite 201	Ft Myers	FL	Mortgage Sales	Leased	4,676	\$3,917	/ mo	8/21/2021
7830 Lake Wilson Road	Davenport	FL	Mortgage Sales	Leased	200	\$750	/ mo	month to month
1545 S. Belcher Rd., Suite B	Clearwater	FL	Mortgage Sales	Leased	Desk Rental	\$3,073	/ mo	4/30/2019
5331 Commercial Way, Suite 203	Springhill	FL	Mortgage Sales	Leased	995	\$1,200	/ mo	3/31/2020
203 NE 1st Ave.	Delray Beach	FL	Mortgage Sales	Leased	1,350	\$4,013	/ mo	6/30/2019
3689 Tampa Rd., Suite 324	Oldsmar	FL	Mortgage Sales	Leased	2,553	\$2,708	/ mo	2/28/2020
3689 Tampa Rd., Suite 330	Oldsmar	FL	Mortgage Sales	Leased	4,167	\$4,553	/ mo	2/28/2019
4732 US Highway 98 N.	Lakeland	FL	Mortgage Sales	Leased	1,250	\$535	/ mo	month to month
1145 TownPark Ave., Suites 2215/2255	Lake Mary	FL	Mortgage Sales	Leased	9,390	\$19,829	/ mo	2/29/2020
1525 International Parkway	Lake Mary	FL	Mortgage Sales	Sub-Leased	2,862	\$5,440	/ mo	10/31/2019
3970 Tampa Rd. Oldsmar, Suite L	Pinnellas County	FL	Mortgage Sales	Leased	750	\$813	/ mo	8/31/2020
113th Str. N. and 82nd Ave. N.	Seminole	FL	Mortgage Sales	Leased	N/A	\$2,100	/ mo	8/30/2020
3030 McEver Rd., Suite 220	Gainsville	GA	Mortgage Sales	Leased	300	\$839	/ mo	month to month
788 Walnut St., Suite 8	Macon	GA	Mortgage Sales	Leased	650	\$400	/ mo	month to month
2886 Smokey Road	Newman	GA	Mortgage Sales	Leased	300	\$500	/ mo	month to month
1001 Kamokila Blvd., Suite 142	Kapolei	HI	Mortgage Sales	Leased	564	\$1,660	/ mo	12/31/2019
4370 Kukui Grove St., Suite 201	Lihue	HI	Mortgage Sales	Leased	864	\$1,331	/ mo	2/28/2019
9042 W. Barnes Dr.	Boise	ID	Mortgage Sales	Leased	1,568	\$2,250	/ mo	10/31/2019
116 N. 3rd St., Suite 12	Mccall	ID	Mortgage Sales	Leased	480	\$400	/ mo	month to month
12 W. Main St. Suite 3	Rexburg	ID	Mortgage Sales	Leased	800	\$1,000	/ mo	month to month
3040 E 17th, Suite	Idaho Falls	ID	Mortgage Sales	Leased	2,500	\$3,000	/ mo	5/31/2019

Edgar Filing: SECURITY NATIONAL FINANCIAL CORP - Form 10-K

A									
7225-27 West Madison St.	Forest Park	IL	Mortgage Sales	Leased	1,800	\$2,200	/ mo	6/30/2020	
9963 Crosspoint Blvd Suites 101/102	Indianapolis	IN	Mortgage Sales	Leased	N/A	\$1,350	/ mo	7/31/2019 month to	
568 Greenluster Dr. 1 Sanctuary Blvd. Suite 302A	Covington	LA	Mortgage Sales	Leased	150	\$750	/ mo	month	
4987 Fall Creek Rd. Suite 1	Mandeville	LA	Insurance Sales	Leased	867	\$1,382	/ mo	6/30/2020	
801 Cascade Pointe Lane, Suite 101	Branson	MO	Mortgage Sales	Leased	700	\$1,000	/ mo	3/31/2019	
7930 West Kenton Circle	Raleigh	NC	Mortgage Sales	Sub-Leased	2,000	\$2,961	/ mo	4/30/2020	
2370 Corporate Circle, Suite 200	Huntersville	NC	Mortgage Sales	Sub-Leased	951	\$1,918	/ mo	2/29/2020	
2370 Corporate Circle, Suite 270	Henderson	NV	Mortgage Sales	Leased	10,261	\$18,297	/ mo	4/30/2020	
3285 No. Fort Apache Rd, Suite 150	Henderson	NV	Mortgage Sales	Leased	2,520	\$5,956	/ mo	4/30/2020	
10765 Double R Blvd.	Las Vegas	NV	Mortgage Sales	Leased	N/A	\$11,500	/ mo	month to	
1980 Festival Plaza Dr., Suite 850	Reno	NV	Mortgage Sales	Leased	4,214	\$9,144	/ mo	10/31/2021	
4000 S. Eastern Ave., Suite 310	Las Vegas	NV	Mortgage Sales	Leased	12,866	\$43,615	/ mo	5/31/2021	
8720 Orion Place, Suite 160	Las Vegas	NV	Mortgage Sales	Sub-Leased	2,750	\$4,950	/ mo	1/31/2020	
10610 SE Washington	Colombus	OH	Mortgage Sales	Leased	1,973	\$1,726	/ mo	6/30/2023 month to	
3311 NE MLK Jr Blvd., Suite 203	Portland	OR	Mortgage Sales	Leased	506	\$600	/ mo	month	
10365 SE Sunnyside Rd., Suite 310	Portland	OR	Mortgage Sales	Leased	1,400	\$875	/ mo	month	
6263 Poplar Ave., Suite 900	Clackamas	OR	Mortgage Sales	Leased	1,288	\$2,420	/ mo	11/30/2019	
6640 Carothers Parkway, Suite 150	Memphis	TN	Mortgage Sales	Leased	1,680	\$2,476	/ mo	3/31/2019	
208 Sunset Dr., Suites 403/404	Franklin	TN	Mortgage Sales	Leased	3,229	\$8,199	/ mo	3/31/2020	
2159 N Thompson Lane, Suite A-7	Knoxville	TN	Mortgage Sales	Leased	2,476	\$3,817	/ mo	10/31/2022 month to	
11525 Fry Road, Suite 106	Murfreesboro	TN	Mortgage Sales	Leased	1,100	\$1,150	/ mo	month	
11550 Fuqua, Suite 200	Fulshear	TX	Mortgage Sales	Leased	N/A	\$800	/ mo	month to	
3000 Joe DiMaggio Blvd., Bldg 12 Suite	Houston	TX	Mortgage Sales	Leased	1,865	\$3,341	/ mo	4/30/2020	
	Round Rock	TX	Mortgage Sales	Leased	920	\$1,750	/ mo	5/15/2021	

## Edgar Filing: SECURITY NATIONAL FINANCIAL CORP - Form 10-K

42

2408 Jacaman Road, Suite F	Laredo	TX	Mortgage Sales	Leased	N/A	\$900	/ mo	6/1/2020 month to
532 FM 120 East	East Pottsboro	TX	Mortgage Sales	Leased	1,800	\$1,600	/ mo	month to
8300 Cypress Creek Parkway, Suite 450	Houston	TX	Mortgage Sales	Leased	100	\$276	/ mo	month to
2877 Commercial Center	Katy	TX	Mortgage Sales	Leased	250	\$2,000	/ mo	month to
602 S Main St., Suite 300	Weatherford	TX	Mortgage Sales	Leased	1,000	\$1,865	/ mo	5/31/2019
52 Sugar Creek Center Blvd., Suite 150	Sugarland	TX	Mortgage Sales	Leased	1,788	\$3,994	/ mo	3/31/2020
2526 N. Loop 1604 W., Suite 210	San Antonio	TX	Mortgage Sales	Leased	4,959	\$10,538	/ mo	11/30/2019
1 Chisholm Trail Rd., Suite 210	Round Rock	TX	Mortgage Sales	Leased	3,402	\$4,961	/ mo	12/31/2020
3027 Marina Bay Dr., Suite 200	League City	TX	Mortgage Sales	Leased	1,225	\$2,118	/ mo	3/31/2020 month to
24668 Kingsland Blvd.	Katy	TX	Mortgage Sales	Leased	144	\$500	/ mo	month to
1848 Norwood Plaza, Suite 213	Hurst	TX	Mortgage Sales	Leased	1,596	\$1,031	/ mo	month to
17347 Village Green Dr., Suite 102	Houston	TX	Mortgage Sales	Leased	4,395	\$8,970	/ mo	11/30/2019
4100 Alpha Rd., Suite 650	Farmers Branch	TX	Mortgage Sales	Leased	2,935	\$4,158	/ mo	3/31/2020
1626 Lee Trevino, Suite A	El Paso	TX	Mortgage Sales	Leased	4,200	\$7,799	/ mo	12/31/2019
9737 Great Hills Trail, Suites 150, 200, 220	Austin	TX	Mortgage Sales	Sub-Leased	19,891	\$36,052	/ mo	8/31/2024
1213 East Alton Gloor Blvd., Suite H	Brownsville	TX	Mortgage Sales	Leased	2,000	\$2,200	/ mo	3/31/2020 month to
7920 Belt Line Rd., Suite 720	Dallas	TX	Mortgage Sales	Leased	1,714	\$2,143	/ mo	month to
12222 Merit Dr., Suite 220	Dallas	TX	Mortgage Sales	Leased	1,799	\$2,848	/ mo	9/30/2019
5020 Collinwood Ave., Suite 100	Fort Worth	TX	Mortgage Sales	Leased	2,687	\$5,150	/ mo	1/31/2021
240 North Adams St., Suite 4	Eagle Pass	TX	Mortgage Sales	Leased	275	\$1,015	/ mo	12/31/2019
13413 Galleria Circle, Suite 180	Austin	TX	Mortgage Sales	Sub-Leased	1,851	\$3,394	/ mo	2/28/2019
118 E. Vine St.	Tooele	UT	Mortgage Sales	Leased	1,000	\$840	/ mo	7/1/2020 month to
5965 S. Redwood Rd.	Taylorville	UT	Mortgage Sales	Leased	2,000	\$600	/ mo	month to

Edgar Filing: SECURITY NATIONAL FINANCIAL CORP - Form 10-K

6575 S. Redwood Rd.	Taylorsville	UT	Mortgage Sales	Leased	3,323	\$5,221	/ mo 8/31/2019
10437 S. 1300 W., Suite 200	South Jordan	UT	Mortgage Sales	Leased	4,000	\$8,118	/ mo 9/30/2019
126 W. Segoe Lily Dr., Suite 260	Sandy	UT	Mortgage Sales	Leased	2,794	\$5,672	/ mo 8/31/2020
1145 S. 800 E.	Orem	UT	Mortgage Sales	Leased	2,581	\$4,431	/ mo 1/31/2020
1111 Brickyard Rd., Suite 107	Salt Lake City	UT	Mortgage Sales	Leased	4,857	\$4,408	/ mo 1/31/2020
1751 W. Al							