

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

FORM 10-K

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2020

☐ **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 0-16867

UTG, INC.		
(Exact name of registrant as specified in its charter)		
Delaware		20-2907892
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)
205 North Depot Street, Stanford, KY		40484
(Address of principal executive offices)		(Zip code)

Registrant's telephone number, including area code: (217) 241-6300

Title of each class	Name of each exchange on which registered
None	None

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

Title of class

Common Stock, stated value \$.001 per share

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 15(d) of the 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 Securities Exchange Act of 1934 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark 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 large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐
Non accelerated filer ☐ Smaller reporting company ☒

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

As of June 30, 2020, shares of the Registrant's common stock held by non-affiliates (based upon the price of the last sale of \$29.00 per share), had an aggregate market value of approximately \$28,210,707.

At January 31, 2021 the Registrant had 3,174,936 outstanding shares of common stock, stated value \$.001 per share.

Documents incorporated by reference: None

UTG, Inc.
Form 10-K
Year Ended December 31, 2020

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Forward-Looking Statements

This report on Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created by those laws. We have based our forward-looking statements on our current expectations and projections about future events. Our forward-looking statements include information about possible or assumed future results of operations. All statements, other than statements of historical facts, included or incorporated by reference in this report that address activities, events or developments that we expect or anticipate may occur in the future, including such things as the growth of our business and operations, our business strategy, competitive strengths, goals, plans, future capital expenditures and references to future successes may be considered forward-looking statements. Also, when we use words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “probably,” or similar expressions, we are making forward-looking statements.

Numerous risks and uncertainties may impact the matters addressed by our forward-looking statements, any of which could negatively and materially affect our future financial results and performance.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and, therefore, the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements that are included in this report, our inclusion of this information is not a representation by us or any other person that our objectives and plans will be achieved. In light of these risks, uncertainties and assumptions, any forward-looking event discussed in this report may not occur. Our forward-looking statements speak only as of the date made, and we undertake no obligation to update or review any forward-looking statement, whether as a result of new information, future events or other developments, unless the securities laws require us to do so.

PART I

Item 1. Business

General

The Holding Company - UTG, Inc. (the “Registrant,” “Company” or “UTG”) is an insurance holding company incorporated in the state of Delaware in 2005 and headquartered in Stanford, KY. The Company’s principal subsidiary is Universal Guaranty Life Insurance Company (“UG”). The Registrant and its primary subsidiary have only one significant segment, insurance.

The holding company has no significant business operations of its own and relies on fees, dividends and other distributions from its operating subsidiary as the principal source of cash flows to meet its obligations. The Company may explore supplemental sources of income in the future. The cash outlays of the Company mainly consist of operational costs and the costs of repurchasing Company common stock.

This document at times will refer to the Registrant’s largest shareholder, Mr. Jesse T. Correll and certain companies controlled by Mr. Correll. Mr. Correll holds a majority ownership of First Southern Funding LLC, a Kentucky corporation, (“FSF”) and First Southern Bancorp, Inc. (“FSBI”), a financial services holding company. FSBI operates through its 100% owned subsidiary bank, First Southern National Bank (“FSNB”). Banking activities are conducted through multiple locations within south-central and western Kentucky. Mr. Correll is Chief Executive Officer and Chairman of the Board of Directors of UTG and is currently UTG’s largest shareholder through his ownership control of FSF, FSBI and affiliates. At December 31, 2020, Mr. Correll owns or controls directly and indirectly approximately 65% of UTG’s outstanding stock.

At December 31, 2020, the Company had consolidated assets of \$419 million, consolidated liabilities of \$282 million and total shareholders’ equity of \$137 million. The Company’s consolidated liabilities include policyholder liabilities and accruals of \$263 million.

The Company’s principal executive office is located at 205 North Depot Street, Stanford, Kentucky 40484. The Company’s telephone number is 217-241-6300.

The Insurance Company - Universal Guaranty Life Insurance Company is an Ohio domiciled life insurance company and is licensed in 37 states. The Company’s dominant business is individual life insurance, which includes the servicing of existing insurance business in-force, the acquisition of other companies in the insurance business, and the administration processing of life insurance business for other entities. The Insurance Company’s operations are conducted through its administrative offices located in Stanford, Kentucky and Springfield, Illinois.

UG has several wholly owned and majority-owned subsidiaries. The subsidiaries were formed to hold certain real estate and other investments. The investments were placed into the limited liability companies and partnerships to provide additional protection to the policyholders and to UG.

Reinsurance - As is customary in the insurance industry, the insurance subsidiary cedes insurance to, and assumes insurance from, other insurance companies under reinsurance agreements. Reinsurance agreements are intended to limit a life insurer’s maximum loss on a large or unusually hazardous risk or to obtain a greater diversification of risk. The ceding insurance company remains primarily liable with respect to ceded insurance should any reinsurer be unable to meet the obligations assumed by it. However, it is the practice of insurers to reduce their exposure to loss to the extent that they have been reinsured with other insurance companies. The Company sets a limit on the amount of insurance retained on the life of any one person. The Company will not retain more than \$125,000, including accidental death benefits, on any one life.

The Company’s reinsured business is ceded to numerous reinsurers. The Company monitors the solvency of its reinsurers in seeking to minimize the risk of loss in the event of a failure by one of the parties. The Company is primarily liable to the insureds even if the reinsurers are unable to meet their obligations. The primary reinsurers of the Company are large, well-capitalized entities. See Note 4 - Reinsurance in the Notes to the Consolidated Financial Statements for additional information regarding the Company’s reinsurance activities.

Reserves - The applicable insurance laws under which the insurance subsidiary operates require that the insurance company report policy reserves as liabilities to meet future obligations on the policies in-force. These reserves are the amounts which, with the additional premiums to be received and interest thereon compounded annually at certain assumed rates, are calculated in accordance with applicable laws to be sufficient to meet the various policy and contract obligations as they mature. These laws specify that the reserves shall not be less than reserves calculated using certain mortality tables and interest rates.

The liabilities for traditional life insurance and accident and health insurance policy benefits are computed using a net level method. These liabilities include assumptions as to investment yields, mortality, withdrawals, and other assumptions based on the life insurance subsidiary’s experience adjusted to reflect anticipated trends and to include provisions for possible unfavorable deviations. The Company makes these assumptions at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. Future policy benefits for individual life insurance and annuity policies are computed using interest rates ranging from 2% to 6% for life insurance and 2.5% to 7.5% for annuities. Benefit reserves for traditional life insurance policies include certain deferred profits on limited-payment policies that are being recognized in income over the policy term. Policy benefit claims are charged to expense in the period that the claims are incurred. The mortality rate assumptions for policies currently issued by the Company are based on 2001 select and ultimate tables. Withdrawal rate assumptions are based upon Linton B or Linton C, which are industry standard actuarial tables for forecasting assumed policy lapse rates.

Benefit reserves for universal life insurance and interest sensitive life insurance products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expense include benefit claims in excess of related policy account balances.

Business Strategy

UG’s product portfolio consists of a limited number of life insurance product offerings. All of the products are individual life insurance products, with design variations from each other to provide choices to the customer. These variations generally center around the length of the premium paying period, length of the coverage period and whether the product accumulates cash value or not.

While the Company does not actively sell any new policies today, it has the following product available for issue:

Tradition – The Tradition policy is a fixed premium whole life insurance policy. Premiums are level and payable for life. Issue ages are 0-75. The minimum face amount is the greater of \$10,000 or the amount of coverage provided by a \$100 annual premium.

Business Concentrations

The Company maintains cash balances in financial institutions that at times may exceed federally insured limits. The Company maintains its primary operating cash accounts with First Southern National Bank, an affiliate of the largest shareholder of UTG, Mr. Jesse T. Correll, the Company's CEO and Chairman. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Because UG serves primarily individuals located in four states, the ability of our customers to pay their insurance premiums is impacted by the economic conditions in these areas. As of December 31, 2020 and 2019, approximately 56% of the Company's total direct premium was collected from Illinois, Ohio, Texas and West Virginia. Thus, results of operations are heavily dependent upon the strength of these economies.

The majority of the investments included in the Consolidated Balance Sheets are owned by UTG's subsidiary, UG. As an insurance company, UG is subject to applicable state insurance laws and regulations, which limit the concentration of investments in any one category or class and further limit the investment in any one issuer. Generally, these limitations are imposed as a percentage of statutory assets or percentage of statutory capital and surplus of each company.

The Company owns a variety of investments associated with the oil and gas industry. These investments represented approximately 20% and 25% of the Company's total invested assets at December 31, 2020 and 2019, respectively.

The Company's investment real estate portfolio includes ownership in oil and gas royalties. As of December 31, 2020 and 2019, investments in oil and gas royalties represented 48% and 44%, respectively, of the total investment real estate portfolio.

See Note 13 - Concentrations of the Consolidated Financial Statements for additional disclosures regarding concentrations that have been identified by the Company.

Competition

The insurance business is a highly competitive industry and there are a number of other companies, both stock and mutual, doing business in areas where the Company operates. Many of these competing insurers are larger, have more diversified and established lines of insurance coverage, have substantially greater financial resources and brand recognition, as well as a greater number of agents. Other significant competitive factors in the insurance industry include policyholder benefits, service to policyholders, and premium rates.

In recent years, the Company has not placed an emphasis on new business production. Costs associated with supporting new business can be significant. Current sales primarily represent sales to existing customers through additional insurance needs or conservation efforts. The Company currently encourages policy retention as opposed to new sales in an attempt to maintain or improve current persistency levels.

The Company performs administrative work as a third-party administrator ("TPA") for unaffiliated life insurance companies. The Company provides TPA services to insurance companies seeking business process outsourcing solutions. Revenue generated from TPA services is considered insignificant to the overall financial statements.

Human Capital

As of December 31, 2020, UTG and its subsidiaries had 35 full-time employees located in Kentucky and Illinois. These individuals are further supported by certain employees of First Southern National Bank (an affiliate entity) through a shared services arrangement. Under this arrangement, the two entities utilize the services of the other's staff in certain instances for the betterment of both entities. Personnel within departments such as accounting, human resources and information technology are shared between the entities. UTG's operations are headquartered in Stanford, Kentucky. The Company respects, values and invites diversity in our team members, customers, suppliers, and community. We seek to recognize the unique contribution each individual brings to our Company, and we are fully committed to supporting a rich culture of diversity as a cornerstone to our success. The Company strives to attract, develop, and retain talented individuals. To attract such individuals, we provide professional and personal development opportunities to team members. In addition, we seek to improve retention, development, and job satisfaction of team members from diverse groups by providing career skills training, peer mentoring and opportunities to interact with senior leaders. We encourage our team members to take initiative, accept challenges and achieve goals, all of which enables our team to work efficiently while providing excellent customer service which supports the Company's strong performance.

UTG offers competitive compensation and benefits. Our pay for performance compensation philosophy is designed to reward employees for achievement and to align employee interests with the Company's long-term growth. The Company's benefits program includes healthcare, wellness initiatives, retirement offerings and paid time off.

Workplace health and safety is a vital aspect of running our business. We believe that safety must always be an integral part of any function or service performed, and the protection of our employees and visitors is our utmost priority. We have a business continuity plan in place that allows us to respond to threats to our health and safety, while ensuring that we can continue to provide quality service to our clients and shareholders at all times. During the COVID-19 pandemic that erupted in early 2020, we adopted a work-from-home model for many of our employees to safeguard their health and safety without a disruption to customer service.

Code of Ethics

The Board of Directors has adopted a code of ethics for directors, officers, and financial personnel.

Regulation

Holding Company - States have enacted legislation requiring registration and periodic reporting by insurance companies domiciled within their respective jurisdictions that control or are controlled by other corporations so as to constitute a holding company system. Insurance holding company system statutes and regulations impose various limitations on investments in subsidiaries and may require prior regulatory approval for material transactions between insurers and affiliates and for the payment of certain dividends and other distributions.

Insurance - Insurance companies are subject to regulation and supervision in the states in which they do business. Generally the state supervisory agencies have broad administrative powers relating to granting and revoking licenses to transact business, licensing agents, approving policy forms, regulating trade practices, approving certain premium rates, setting minimum reserve and loss ratio requirements, determining the form and content of required financial statements, and prescribing the type and amount of investments permitted. Insurance companies are also required to file detailed annual reports with supervisory agencies, and records of their business are subject to examination at any time. Under the rules of the National Association of Insurance Commissioners ("NAIC"), insurance companies are examined periodically by one or more of the supervisory agencies.

Statutory Restrictions – Restrictions exist on the flow of funds to UTG from its insurance subsidiary. Statutory regulations require life insurance subsidiaries to maintain certain minimum amounts of capital and surplus. UG is required to maintain minimum statutory surplus of \$2,500,000. At December 31, 2020, substantially all of the consolidated shareholders' equity represents net assets of UTG's subsidiaries.

Risk-Based Capital - The NAIC requires a risk-based capital formula be applied to all life and health insurers. The risk-based capital formula is a threshold formula rather than a target capital formula. It is designed only to identify companies that require regulatory attention and is not to be used to rate or rank companies that are adequately capitalized. UTG's insurance subsidiary, UG, is more than adequately capitalized under the risk-based capital formula.

Guaranty Assessments – State guaranty laws provide for assessments from insurance companies to be placed into a fund which is used, in the event of failure or insolvency of an insurance company, to fulfill the obligations of that company to its policyholders. The amount which a company is assessed is determined according to the extent of these unsatisfied obligations in each state. Assessments are recoverable to a great extent as offsets against state premium taxes.

Stock Repurchase Program

The Board of Directors of UTG has authorized the repurchase in the open market or in privately negotiated transactions of UTG's common stock. At a meeting of the Board of Directors in September of 2020, the Board of Directors of UTG authorized the repurchase of up to an additional \$1.5 million of UTG's common stock, for a total repurchase of \$20 million of UTG's common stock in the open market or in privately negotiated transactions. Company Management has broad authority to operate the program, including the discretion of whether to purchase shares and the ability to suspend or terminate the program. Open market purchases are made based on the last available market price but may be limited. During 2020, the Company repurchased 112,907 shares through the stock repurchase program for \$3,313,154. Through December 31, 2020, UTG has spent \$18,086,249 in the acquisition of 1,282,265 shares under this program.

Transactions with Affiliates

The articles of incorporation of UG contain the following language under item 12 relative to related party transactions:

A director shall not be disqualified from-dealing with or contracting with the corporation as vendor, purchaser; employee, agent or otherwise; nor, in the absence of fraud, shall any transaction or contract or act of this corporation be void or in any way affected or invalidated by the fact that any director or any firm of which any director is a member or any corporation of which any director is a shareholder, director or officer is in any way interested in such transaction or contract or act, provided the fact that such director or such firm or such corporation so interested shall be disclosed or shall be known to the Board of Directors or such members thereof as shall be present at any meeting of the Board of Directors at which action upon any such contract or transaction or act shall be taken: nor shall any such director be accountable .or responsible to the company for or in respect to such transaction or contract or act of. this corporation or for any gains or profits realized by him by reason of the fact that he or any firm of which he is a member or any corporation of which he is a shareholder, director or officer is interested in such action or contract; and any such director may be counted in determining the existence of a quorum of any meeting of the Board of Directors of the company which shall authorize or take action in respect to any such contract or transaction or act and may vote thereat to authorize, ratify, or approve any such contract or transaction or act, with like force and effect as if he or any firm of which he is a member or any corporation of which he is a shareholder, director or officer were not interested in such transaction or contract or act.

Note 11 – Related Party Transactions of the Consolidated Financial Statements provides disclosures regarding transactions with related parties.

Anti-Money Laundering Laws

A series of laws and regulations beginning with the Bank Secrecy Act of 1970 require financial institutions to prevent, detect, and report illicit or illegal financial activities to the federal government to prevent money laundering, international drug trafficking, and terrorism. Under the US PATRIOT Act of 2001, financial institutions are subject to prohibitions against specified financial transactions and account relationships, requirements regarding the Customer Identification Program, as well as enhanced due diligence and “know your customer” standards in their dealings with high risk customer, foreign financial institutions, and foreign individuals and entities. These rules also mandate a variety of record keeping, reporting and employee training requirements.

Data Security

Increased global IT security threats and more sophisticated and targeted computer crime pose a risk to the security of systems and networks and the confidentiality, availability and integrity of data. Although the Company makes efforts to maintain the security and integrity of the networks and systems, there can be no assurance that the security efforts will be effective or that attempted security breaches or disruptions would not be successful or damaging. In the event a security breach or failure results in the disclosure of sensitive third-party data or the transmission of harmful/malicious code to third parties, the Company could be subject to liability claims. Depending on their nature and scope, such threats also could potentially lead to improper use of our systems and networks, manipulation and destruction of data, loss of trade secrets, system downtimes and operational disruptions, which in turn, could adversely affect our reputation, competitiveness and results of operations.

Available Information

The Company files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those report with the Securities and Exchange Commission (“SEC”) pursuant to section 13(a) or 15(d) of the Securities and Exchange Act of 1934.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC on its website at www.sec.gov. The Company’s website is www.utgins.com.

Item 1A. Risk Factors

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act and Item 10(f)(1) of Regulation S-K, the Company has elected to comply with certain scaled disclosure reporting obligations, and therefore does not have to provide the information required by this item.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The Company owns an office complex in Springfield, Illinois, which houses a portion of the insurance operations. The office buildings in this complex contain 57,000 square feet of office and warehouse space. Excess space in Springfield, IL is currently being marketed for lease.

The Company leases space in Stanford, KY from an affiliate, FSNB, to house insurance operations. The Company rents approximately 8,000 square feet of office space and pays \$2,000 per month in rent.

Item 3. Legal Proceedings

In the normal course of business the Company is involved, from time to time, in various legal actions and other state and federal proceedings. Management is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on the Company’s results of operations or financial position.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Registrant is a public company whose common stock is traded in the over-the-counter market. Over-the-counter quotations can be obtained using the UTGN stock symbol.

The following table shows the high and low closing prices for each quarterly period during the past two years, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. The quotations below were acquired from the Yahoo Finance web site, which also provides quotes for over-the-counter traded securities such as UTG.

Period	2020		2019	
	High	Low	High	Low
First quarter	35.50	29.00	30.50	30.10
Second quarter	33.00	27.00	34.00	29.36
Third quarter	36.00	27.00	33.01	30.01
Fourth quarter	28.00	25.00	39.80	33.25

UTG has not declared or paid any dividends on its common stock in the past two fiscal years, and has no current plans to pay dividends on its common stock as it intends to retain all earnings for investment in and growth of the Company’s business. See Note 9 – Shareholders’ Equity in the Notes to the Consolidated Financial Statements for information regarding dividend restrictions, including applicable restrictions on the ability of the Company’s life insurance subsidiary to pay dividends.

As of January 31, 2021 there were 4,728 record holders of UTG common stock.

Purchases of Equity Securities

The following table provides information with respect to purchases we made of our common stock during the three months ended December 31, 2020 and total repurchases:

Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly	Maximum Number of Shares That May Yet Be	Approximate Dollar Value That May Yet
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			Announced Program	Purchased Under the Program	Be Purchased Under the Program
Oct. 1 through Oct. 31, 2020	1,540	\$ 28.14	1,540	N/A	\$ 1,994,943
Nov. 1 through Nov. 30, 2020	2,255	\$ 27.00	2,255	N/A	\$ 1,934,058
Dec. 1 through Dec. 31, 2020	1,290	\$ 26.91	1,290	N/A	\$ 1,899,351
Total	5,085		5,085		

The Board of Directors of UTG has authorized the repurchase in the open market or in privately negotiated transactions of UTG's common stock. At a meeting of the Board of Directors in September of 2020, the Board of Directors of UTG authorized the repurchase of up to an additional \$1.5 million of UTG's common stock, for a total repurchase of \$20 million of UTG's common stock in the open market or in privately negotiated transactions. Company Management has broad authority to operate the program, including the discretion of whether to purchase shares and the ability to suspend or terminate the program. Open market purchases are made based on the last available market price but may be limited. During 2020, the Company repurchased 112,907 shares through the stock repurchase program for \$3,313,154. Through December 31, 2020, UTG has spent \$18,086,249 in the acquisition of 1,282,265 shares under this program.

During the third quarter of 2020, the Company purchased 88,341 shares from Cumberland Lake Shell, Inc. at a price of \$29 per share for a total cost of \$2,561,889.

Stock Performance Graph

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act and Item 10(f)(1) of Regulation S-K, the Company has elected to comply with certain scaled disclosure reporting obligations, and therefore does not have to provide the information required by this item.

Item 6. Selected Financial Data

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act and Item 10(f)(1) of Regulation S-K, the Company has elected to comply with certain scaled disclosure reporting obligations, and therefore does not have to provide the information required by this item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is Management's discussion and analysis of the financial condition and results of operations of UTG, Inc. and its subsidiaries (collectively with the Parent, the "Company") for the years ended December 31, 2020 and 2019. This discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this report.

Cautionary Statement Regarding Forward-Looking Statements

This report on Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created by those laws. We have based our forward-looking statements on our current expectations and projections about future events. Our forward-looking statements include information about possible or assumed future results of operations. All statements, other than statements of historical facts, included or incorporated by reference in this report that address activities, events or developments that we expect or anticipate may occur in the future, including such things as the growth of our business and operations, our business strategy, competitive strengths, goals, plans, future capital expenditures and references to future successes may be considered forward-looking statements. Also, when we use words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "probably," or similar expressions, we are making forward-looking statements.

Numerous risks and uncertainties may impact the matters addressed by our forward-looking statements, any of which could negatively and materially affect our future financial results and performance.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and, therefore, the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements that are included in this report, our inclusion of this information is not a representation by us or any other person that our objectives and plans will be achieved. In light of these risks, uncertainties and assumptions, any forward-looking event discussed in this report may not occur. Our forward-looking statements speak only as of the date made, and we undertake no obligation to update or review any forward-looking statement, whether as a result of new information, future events or other developments, unless the securities laws require us to do so.

Overview

UTG, Inc., a Delaware corporation, is a life insurance holding company. The Company's dominant business is individual life insurance, which includes the servicing of existing insurance policies in-force, the acquisition of other companies in the life insurance business, the acquisition of blocks of business and the administration and processing of life insurance business for other entities.

UTG has a strong philanthropic program. The Company generally allocates a portion of its earnings to be used for its philanthropic efforts primarily targeted to Christ-centered organizations or organizations that help the weak or poor. The Company also encourages its staff to be involved on a personal level through monetary giving, volunteerism and use of their talents to assist those less fortunate than themselves. Through these efforts, the Company hopes to make a positive difference in the local community, state, nation and world.

Critical Accounting Policies

We have identified the accounting policies below as critical to the understanding of our results of operations and our financial condition. The application of these critical accounting policies in preparing our consolidated financial statements requires Management to use significant judgments and estimates concerning future results or other developments including the likelihood, timing or amount of one or more future transactions or amounts. Actual results may differ from these estimates under different assumptions or conditions. On an on-going basis, we evaluate our estimates, assumptions and judgments based upon historical experience and various other information that we believe to be reasonable under the circumstances. For a detailed discussion of other significant accounting policies, see Note 1 – Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements.

Future Policy Benefits – Because of the long-term nature of insurance contracts, the insurance company is liable for policy benefit payments that will be made in the future. The liability for future policy benefits is determined by standard actuarial procedures common to the life insurance industry. The accounting policies for determining this liability are disclosed in Note 1 – Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements.

Cost of Insurance Acquired – The costs of acquiring blocks of insurance from other companies or through the acquisition of other companies are deferred and recorded as deferred acquisition costs. The deferred amounts are recorded as an asset and amortized to expense in a systematic manner as indicated in Note 1 – Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements.

Valuation of Securities – The Company's investment portfolio consists of fixed maturities, equity securities, trading securities, mortgage loans, notes receivable and real estate to provide funding of future policy contractual obligations. The Company's fixed maturities are classified as available-for-sale. Available-for-sale fixed maturity investments are carried at fair value with unrealized gains and losses reported in accumulated other comprehensive income (loss) in the Consolidated Balance Sheets.

Equity securities reported at fair value, which include common and preferred stocks, are reported at fair value with unrealized gains and losses reported as a component of net income (loss).

Equity securities reported at cost are reported at their cost basis, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Mortgage loans on real estate are carried at their unpaid principal balances, adjusted for amortization of premium or discount and valuation allowances. Valuation allowances are established for impaired loans when it is probable that contractual principal and interest will not be collected. A portion of the mortgage loan balance consists of discounted mortgage loans that were purchased at deep discounts through an auction process led by the Federal Government. In general, the discounted mortgage loans are non-performing and there is a significant amount of uncertainty surrounding the timing and amount of cash flows to be received by the Company. Accordingly, the Company records its investment in the discounted mortgage loans at its original purchase price adjusted for any principal receipts received.

Real estate held-for-investment is stated at cost less accumulated depreciation. Depreciation is computed on a straight-line-basis for financial reporting purposes using estimated useful lives of 3 to 30 years. The Company periodically reviews its real estate held-for-investment for impairment and test for recoverability whenever events or changes in circumstances indicate the carrying value may not be recoverable. Real estate for which the Company commits to a plan to sell within one year and actively markets in its current condition, for a reasonable price, in comparison to its estimated fair value, is classified as held-for-sale. Real estate held-for-sale is stated at lower of depreciated cost or estimated fair value less expected disposition costs and is not depreciated.

Notes receivable are reported at their unpaid principal balances, adjusted for valuation allowances. Valuation allowances are established for impaired loans when it is probable that contractual principal and interest will not be collected. Interest accruals are analyzed based on the likelihood of repayment. The Company does not utilize a specified number of days delinquent to cause an automatic non-accrual status.

The Company's trading securities and equity securities are carried at fair value with unrealized gains and losses reported in income in the Consolidated Statements of Operations. Fair value is the price that the Company would expect to receive upon sale of the asset in an orderly transaction.

While the available-for-sale securities are generally expected to be held to maturity, they are classified as available-for-sale and are sold periodically to manage risk. Although a majority of the investment portfolio is classified as available-for-sale, the Company has the ability and intent to hold the securities until maturity. See Note 2 – Investments in the Notes to the Consolidated Financial Statements for detailed disclosures regarding the Company's investment portfolio.

Impairment of Investments – The Company continually monitors the investment portfolio for investments that have become impaired in value; where fair value has declined below carrying value. While the value of the investments in the Company's portfolio continuously fluctuate due to market conditions, an other-than-temporary impairment charge is recorded only when a security has experienced a decline in fair market value which is deemed to be other than temporary. The policies and procedures the Company uses to evaluate and account for impairments of investments are disclosed in Note 1 – Summary of Significant Accounting Policies and Note 2 – Investments in the Notes to the Consolidated Financial Statements. The Company makes every effort to appropriately assess the status and value of the securities with the information available regarding an other-than-temporary impairment. However, it is difficult to predict the future prospects of a distressed or impaired security.

Deferred Income Taxes – The provision for deferred income taxes is based on the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized by applying enacted statutory tax rates to temporary differences between amounts reported in the Consolidated Financial Statements and the tax basis of existing assets and liabilities. A valuation allowance is recognized for the portion of deferred tax assets that, in Management's judgment, is not likely to be realized.

Results of Operations

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S. and globally, accelerating during the first half of March, as federal, state, and local governments reacted to the public health crisis, creating significant uncertainties in the U.S. economy. The Company has not experienced a slow-down in activities, however government restrictions and client imposed delays are evaluated regularly and this could change. While the disruption is expected to be temporary, there continues to be uncertainty around the duration or effects of resurgence of the virus. The Company cannot at this time predict the ultimate impact the pandemic will have on its results of operations, financial position, liquidity, or capital resources, but such impact could be material.

On a consolidated basis, the Company had net income attributable to common shareholders of approximately \$2.1 million and \$16.3 million in 2020 and 2019, respectively. In 2020, income before income taxes was approximately \$2.6 million compared to \$20.2 million in 2019. Total revenue were approximately \$27.3 million in 2020 and \$44.2 million in 2019.

One-time events, primarily reflected in realized gains, comprise a substantial portion of the net income and revenue reported by the Company during 2020 and 2019. The magnitude of realized investment gains and losses in a given year is a function of the timing of trades of investments relative to the markets themselves as well as the recognition of any impairments on investments. Future earnings will be significantly negatively impacted should earnings from these one-time items not be realizable in a future period. While Management believes there remain additional investments with such one-time earnings, when or if realized remains uncertain.

Total benefits and other expenses paid in 2020 were approximately \$24.7 million compared to \$24 million in 2019.

Revenues

Premiums and policy fee revenues, net of reinsurance premiums and policy fees, declined approximately 8% when comparing 2020 to 2019. The Company writes very little new business. Unless the Company acquires a new company or a block of in-force business, Management expects premium revenue to continue to decline on the existing block of business at a rate consistent with prior experience. The Company's average persistency rate for all policies in-force for 2020 and 2019 was approximately 98% and 96.6%, respectively. Persistency is a measure of insurance in-force retained in relation to the previous year.

The following table summarizes the Company's investment performance for the years ended December 31:

	2020	2019
Net investment income	\$ 9,528,948	\$ 11,183,128
Net realized investment gains	4,645,699	7,598,048
Change in fair value of equity securities	6,208,148	18,611,248

The following table reflects net investment income of the Company for the years ended December 31:

	2020	2019
Fixed maturities	\$ 5,309,028	\$ 5,854,031
Equity securities	1,754,958	1,543,904
Trading securities	2,921	(132,518)
Mortgage loans	709,604	479,841
Real estate	2,212,851	2,934,666
Notes receivable	1,233,148	1,848,314
Policy loans	599,897	607,537
Cash and cash equivalents	53,880	137,372
Short-term	167,599	38,545
Total consolidated investment income	12,043,886	13,311,692
Investment expenses	(2,514,938)	(2,128,564)
Consolidated net investment income	\$ 9,528,948	\$ 11,183,128

Net investment income represented approximately 35% and 25% of the Company's total revenues as of December 31, 2020 and 2019, respectively. When comparing current and prior year results, net investment income was comparable in a majority of the investment categories. Investment income earned by the fixed maturities, equity securities, and real estate investment portfolios represented approximately 77% and 78% of the total consolidated investment income for the years ended December 31, 2020 and 2019, respectively.

In March 2020, with the onset of the pandemic in America, financial markets became jittery experiencing a significant drop in the major market indices. In response, the Federal Reserve dropped interest rates to near zero. This action resulted in a drop in all other interest rates in the marketplace. While this increased the fair value of the Company's current fixed income holdings, it made finding investments to acquire with any type of historic yield nearly impossible. The stock markets have experienced a rebound since that time; however, interest rates remain at historic low levels with short term rates at or near zero. Longer term bonds have experienced rate increases later in 2020 and into early 2021, but still remain below recent historic rates. Should rates remain at these levels, it will become increasingly more difficult for the Company to maintain its historic net investment income levels as existing investments mature and are replaced with lower yielding investments.

Income from the fixed maturities investment portfolio represented 44% of the total consolidated investment income for the years ended December 31, 2020 and 2019. When comparing earnings from the fixed maturities portfolio for the years ended December 31, 2020 and 2019 income was down approximately 9% or \$545,000. Fixed maturities continue to represent the largest investment type and asset class owned by the company. As of December 31, 2020 and 2019, fixed maturities represented 48% and 49%, respectively, of the total investments owned by the Company.

Earnings from the equity securities investment portfolio represented approximately 15% and 12% of the total consolidated investment income report by the Company during 2020 and 2019, respectively. Income from the equity securities portfolio was up approximately 14% or \$211,000 when comparing 2020 and 2019 results.

The earnings reported by the real estate investment portfolio represented 18% and 22% of the total consolidated investment income reported by the Company during 2020 and 2019, respectively. Earnings from the real estate investment portfolio were down approximately 25% or \$722,00 when comparing 2020 and 2019 results. The earnings from the real estate investment portfolio are expected to vary depending on the real estate activities and the potential distributions that may occur. The real estate investment portfolio represents 11% and 13% of the total investment portfolio as of December 31, 2020 and 2019, respectively.

The following table reflects net realized investment gains (losses) for the years ended December 31:

	2020	2019
Fixed maturities available for sale	\$ 703,519	\$ 189,070
Equity securities	(405,525)	3,479,783
Real estate	4,347,705	3,929,195
Fixed maturities available for sale – OTTI	0	(650,956)
Consolidated net realized investment gains	4,645,699	6,947,092
Change in fair value of equity securities	6,208,148	18,611,248
Net investment gains	\$ 10,853,847	\$ 25,558,340

Realized investment gains are the result of one-time events and are expected to vary from year to year.

The sales of fixed maturities available for sale produced net realized gains of approximately \$704,000 in 2020 and \$189,000 in 2019. The 2019 gains were offset by the recognition of an other-than-temporary impairment of \$650,956. The other-than-temporary impairment were taken as a result of Management's assessment and consideration of the length of time the security had remained in an unrealized loss position and as a result of management's analysis and determination of value. The investment was written down to better reflect its current estimated fair value. The gains and losses from the sales of fixed maturity investments are expected to vary from year to year depending on market conditions and Management's analysis of the portfolio holdings.

The 2020 real estate gains are the result of the sales of real estate in Alabama, Florida and Georgia. The sale of the property in Alabama produced a gain of approximately \$2 million and represented approximately 45% of the net investment gains from real estate. The Company sold three real estate parcels located in Georgia that produced gains of approximately \$2.2 million and represented 51% of the net investment gains from real estate.

The 2019 real estate gains are the result of the sales of real estate in California, Florida, Kentucky, Tennessee, and Texas. The sale of the real estate located in Florida produced a realized gain of approximately \$1.7 million and represented approximately 42% of the net investment gains from real estate. The Company sold real estate located in Tennessee that produced a realized gain of approximately \$1.1 million and represented approximately 28% of the net investment gains from real estate.

Realized gains and losses from equity securities represent the difference between the fair value at the beginning of the reporting period and the fair value at the time of sale. The Company reported net realized losses of approximately \$(406,000) in 2020 from the sales of equity securities. During 2020, the Company sold seven equity securities that produced gross realized gains of approximately \$2.6 million. The gross gains were offset by the sale of three equity securities that produced gross realized losses of approximately \$3 million.

The sale of three equity securities represents approximately \$2.5 million of the gross realized investment gains from equity securities during 2020. The sale of these securities was first disclosed in the MD&A of the Company's Form 10-K filing for the year ended December 31, 2019. The Company disclosed that we received an offer to purchase investments in certain music royalties held in the form of equity securities. We continued to report on these transactions in MD&A of Company's 2020 quarterly Form 10-Q filings. The reported gain changed throughout 2020 as additional proceeds were received. The sales agreements contained holdback provisions for a portion of the sales price. Under the terms of the holdback, certain performance results must be achieved during 2020 to release additional sales proceeds to the sellers. At the time of closing, it was determined it was more likely than not that the royalty interests would not perform at the levels necessary to receive the holdback funds. Performance was reviewed throughout the year, and was better than anticipated, resulting in the holdback proceeds being released to the seller. A portion of this transaction flows through change in the fair value of equity securities and will be further discussed below.

The sale of one common stock represented almost 100% of the realized losses on equity securities. The Company sold 10,000 shares of this common stock holding that is associated with the oil and gas industry. While this security produced a current period realized loss, overall, the sale of this security produced a significant gain for the Company over the period it was held. The other component of this transaction flows through the change in the fair value of equity securities and will be further discussed below.

During 2019, the company sold three equity securities that produced gross realized gains of approximately \$3.5 million. One of those equity securities represented 86% or approximately \$3 million of the gross realized gains from equity securities. The Company sold 14,000 shares of this common stock holding that is associated with the oil and gas industry. The Company sold one equity security in 2019 that produced an immaterial loss.

The Company reported a change in fair value of equity securities of approximately \$6.2 million and \$18.6 million for the years ended December 31, 2020 and 2019, respectively. This line item is material to the results reported in the consolidated statements of operations. This line item can also be extremely volatile, reflecting changes in the stock market. While both 2019 and 2020 reflected positive results, 2020 results were only 1/3 of that of 2019. With the onset of the pandemic in March 2020, the stock market took a major downward swing. At March 31, 2020, the Company reflected a loss on this line of approximately \$(18) million. From that point forward, we have seen a recovery in the market sufficient to move this number to a \$6 million positive by year end. While these results can be material and volatile, most of the equity holdings of the Company were acquired with a long-term view, thus making these intermediate changes in value of less concern to Management. Management monitors its equity holdings looking more at the specific entity and market it is in relative to performance and less to changes due to general market swings that occur over the holding period of the investment.

While the Company has seen significant positive results on its equity investments in the last two years, a pull back or downward market adjustment could slow these gains or even result in losses in future periods. Management believes its current equity investments continue to be solid investments for the Company and have further growth potential; however, changes in market conditions could cause volatility in market prices.

In summary, the Company's basis for future revenue is expected to come from the following primary sources: Conservation of business currently in-force, the maximization of investment earnings and the acquisition of other companies or policy blocks in the life insurance business. Management has placed a significant emphasis on the development of these revenue sources to enhance these opportunities.

Expenses

The Company reported total benefits and other expenses of approximately \$24.7 million and \$24 million for the years ended December 31, 2020 and 2019, respectively. Benefits, claims and settlement expenses represented approximately 66% and 64% of the Company's total expenses for 2020 and 2019, respectively. The other major expense category of the Company is operating expenses, which represented 32% and 33% of the Company's total expenses for 2020 and 2019, respectively.

Benefits, claims and settlement expenses, net of reinsurance benefits, were up approximately 6% or \$859,000 when comparing 2020 and 2019 results. Policy claims vary from year to year and therefore, fluctuations in mortality are to be expected and are not considered unusual by Management.

Early in the COVID-19 pandemic, the Company implemented a process to monitor death claims resulting from COVID-19. During 2020, the Company incurred total death benefits of approximately \$844,000 with COVID-19 listed as the cause of death. The average death benefit of these policies was \$9,500. The Company will continue to monitor COVID-19 death claims.

Changes in policyholder reserves, or future policy benefits, also impact this line item. Reserves are calculated on an individual policy basis and generally increase over the life of the policy as a result of additional premium payments and acknowledgment of increased risk as the insured continues to age.

The short-term impact of policy surrenders is negligible since a reserve for future policy benefits payable is held which is, at a minimum, equal to and generally greater than the cash surrender value of a policy. The benefit of fewer policy surrenders is primarily received over a longer time period through the retention of the Company's asset base. The surrender process has been impacted by temporary state rulings that have been implemented as a result of COVID-19 and in some cases will not allow life insurance companies to lapse policies temporarily.

Operating expenses decreased approximately 2% in 2020 compared to that of the same period in 2019. Expenses were comparable in all of the major categories for 2020 and 2019.

Effective January 1, 2017, the Company and FSNB began sharing certain services. The shared services focuses on departments commonly utilized by both organizations such as financial accounting, human resources and information technology. The shared services did not initially make a noticeable difference in operating expenses, but provides a larger team, which enhances capabilities and quality.

As mentioned above in the Overview section of the Management Discussion and Analysis, UTG has a strong philanthropic program. The Company generally allocates a portion of its earnings to be used for its philanthropic efforts primarily targeted to Christ-centered organizations or organizations that help the weak or poor. Charitable contributions made by the Company are expected to vary from year to year depending on the earnings of the Company.

Net amortization of cost of insurance acquired decreased approximately 4% when comparing current and prior year activity. Cost of insurance acquired is established when an insurance company is acquired or when the Company acquires a block of in-force business. The Company assigns a portion of its cost to the right to receive future profits from insurance contracts existing at the date of the acquisition. Cost of insurance acquired is amortized with interest in relation to expected future profits, including direct charge-offs for any excess of the unamortized asset over the projected future profits. The interest rates may vary due to risk analysis performed at the time of acquisition on the business acquired. The Company utilizes a 12% discount rate on the remaining unamortized business. The amortization is adjusted retrospectively when estimates of current or future gross profits to be realized from a group of products are revised. Amortization of cost of insurance acquired is particularly sensitive to changes in interest rate spreads and persistency of certain blocks of insurance in-force. This expense is expected to decrease, unless the Company acquires a new block of business.

Management continues to place significant emphasis on expense monitoring and cost containment. Maintaining administrative efficiencies directly impacts net income.

Financial Condition

Investment Information

Investments are the largest asset group of the Company. The Company's insurance subsidiary is regulated by insurance statutes and regulations as to the type of investments they are permitted to make, and the amount of funds that may be used for any one type of investment.

The following table reflects, by investment category, the investments held by the Company as of December 31:

	2020	As a % of Total Investments	As a % of Total Assets
Fixed maturities	\$ 165,779,997	48%	40%
Equity securities, at fair value	78,075,187	23%	19%
Equity securities, at cost	14,389,189	4%	3%
Trading securities	(12,219)	0%	0%
Mortgage loans	20,802,365	6%	5%
Real estate	38,086,391	11%	9%
Notes receivable	17,682,296	5%	4%
Policy loans	8,590,524	3%	2%
Total investments	\$ 343,393,730	100%	82%

	2019	As a % of Total Investments	As a % of Total Assets
Fixed maturities	\$ 171,629,373	49%	41%
Equity securities, at fair value	78,661,793	22%	19%
Equity securities, at cost	10,919,247	3%	3%
Mortgage loans	8,223,286	2%	2%
Real estate	44,344,236	13%	11%
Notes receivable	19,487,458	6%	5%
Policy loans	8,803,876	2%	2%
Short-term investments	10,442,173	3%	2%
Total investments	\$ 352,511,442	100%	85%

The Company's investments are generally managed to match related insurance and policyholder liabilities. The comparison of investment return with insurance or investment product crediting rates establishes an interest spread. Interest crediting rates on adjustable rate policies have been reduced to their guaranteed minimum rates, and as such, cannot be lowered any further. Policy interest crediting rate changes and expense load changes become effective on an individual policy basis on the next policy anniversary. Therefore, it takes a full year from the time the change was determined for the full impact of such change to be realized. If interest rates decline in the future, the Company will not be able to lower rates and both net investment income and net income will be impacted negatively.

The Company's total investments represented 82% and 85% of the Company's total assets as of December 31, 2020 and 2019, respectively. Fixed maturities consistently represented a substantial portion, 48% and 49%, respectively, of the total investments during 2020 and 2019. The overall investment mix, as a percentage of total investments, remained fairly consistent when comparing the respective investments held as of December 31, 2020 and 2019.

During 2019, the Company invested approximately \$10.4 million in short-term treasury bills. The Company was holding a significant cash balance and determined it appropriate to invest in these short term treasuries to increase yield, while working to find longer-term quality investments to invest in.

As of December 31, 2020, the carrying value of fixed maturity securities in default as to principal or interest was immaterial in the context of consolidated assets, shareholders' equity or results from operations. To provide additional flexibility and liquidity, the Company has identified all fixed maturity securities as "investments available for sale". Investments available for sale are carried at market value, with changes in market value charged directly to the other comprehensive component of shareholders' equity. Changes in the market value of available for sale securities resulted in net unrealized gains (losses) of approximately \$9.1 million and \$10.8 million as of December 31, 2020 and 2019, respectively. The variance in the net unrealized gains and losses is the result of normal market fluctuations mainly related to changes in interest rates in the market place.

In March 2020, with the onset of the pandemic in America, financial markets became jittery experiencing a significant drop in the major market indices. In response, the Federal Reserve dropped interest rates to near zero. This action resulted in a drop in all other interest rates in the marketplace. While this increased the fair value of the Company's current fixed income holdings, it made finding investments to acquire with any type of historic yield nearly impossible. The stock markets have experienced a rebound since that time; however, interest rates remain at historic low levels with short term rates at or near zero. Longer term bonds have experienced rate increases later in 2020 and into early 2021, but still remain below recent historic rates. Should rates remain at these levels, it will become increasingly more difficult for the Company to maintain its historic net investment income levels as existing investments mature and are replaced with lower yielding investments.

Management continues to view the Company's investment portfolio with utmost priority. Significant time has been spent internally researching the Company's risk and communicating with outside investment advisors about the current investment environment and ways to ensure preservation of capital and mitigate losses. Management has put extensive efforts into evaluating the investment holdings. Additionally, members of the Company's Board of Directors and investment committee have been solicited for advice and provided with information. Management reviews the Company's entire portfolio on a security level basis to be sure all understand our holdings, potential risks and underlying credit supporting the investments. Management intends to continue its close monitoring of its bond holdings and other investments for possible deterioration or market condition changes. Future events may result in Management's determination that certain current investment holdings may need to be sold which could result in gains or losses in future periods. Such future events could also result in other than temporary declines in value that could result in future period impairment losses.

There are a number of significant risks and uncertainties inherent in the process of monitoring impairments and determining if impairment is other-than-temporary. These risks and uncertainties related to Management's assessment of other-than-temporary declines in value include but are not limited to: the risk that Company's assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer; the risk that the economic outlook will be worse than expected or have more of an impact on the issuer than anticipated; the risk that fraudulent information could be provided to the Company's investment professionals who determine the fair value estimates.

Liquidity

Liquidity provides the Company with the ability to meet on demand the cash commitments required by its business operations and financial obligations. The Company's liquidity is primarily derived from cash balances, a portfolio of marketable securities and line of credit facilities. The Company has two principal needs for cash – the insurance company's contractual obligations to policyholders and the payment of operating expenses.

Parent Company Liquidity

UTG is a holding company that has no day-to-day operations of its own. Cash flows from UTG's insurance subsidiary, UG, are used to pay costs associated with maintaining the Company in good standing with states in which it does business and purchasing outstanding shares of UTG stock. UTG's cash flow is dependent on management fees received from its insurance subsidiary, stockholder dividends from its subsidiary and earnings received on cash balances. As of December 31, 2020 and 2019, substantially all of the consolidated shareholders' equity represents net assets of its subsidiaries. In 2020, the Parent company received \$4 million in dividends from its insurance subsidiary and \$6 million in 2019. Certain restrictions exist on the payment of dividends from the insurance subsidiary to the Parent company. For further information regarding the restrictions on the payment of dividends by the insurance subsidiary, see Note 9 – Shareholders' Equity in the Notes to the Consolidated Financial Statements. Although these restrictions exist, dividend availability from the insurance subsidiary has historically been sufficient to meet the cash flow needs of the Parent company.

Insurance Subsidiary Liquidity

Sources of cash flows for the insurance subsidiary primarily consist of premium and investment income. Cash outflows from operations include policy benefit payments, administrative expenses, taxes and dividends to the Parent company.

Short-Term Borrowings

An additional source of liquidity to the Parent company and its subsidiaries is the line of credit facilities extended to them. As of December 31, 2020 and 2019, the Company and its subsidiaries had available \$18 million in line of credit facilities. The Company did not utilize its available credit facilities during 2019 or 2020. For additional information regarding the line of credit facilities, see Note 7 – Credit Arrangements in the Notes to the Consolidated Financial Statements.

The Company expects to have readily available funds for the foreseeable future to conduct its operations and to maintain target capital ratios in the insurance subsidiary through internally generated cash flow and the credit facilities. In the unlikely event that more liquidity is needed, the Company could generate additional funds through such sources as a short-term credit facility and inter company borrowing.

Consolidated Liquidity

Cash used in operating activities was approximately \$13.2 million and \$6.5 million in 2020 and 2019, respectively. Sources of operating cash flows of the Company, as with most insurance entities, is comprised primarily of premiums received on life insurance products and income earned on investments. Uses of operating cash flows consist primarily of payments of benefits to policyholders and beneficiaries and operating expenses. The Company has not marketed any significant new products for several years. As such, premium revenues continue to decline. Management anticipates future cash flows from operations to remain similar to historic trends.

During 2020 and 2019, the Company's investing activities provided net cash of approximately \$27 million and \$16.3 million, respectively. The Company recognized proceeds of approximately \$80 million and \$67.1 million from investments sold and matured in 2020 and 2019, respectively. The Company used approximately \$53 million and \$50.9 million to acquire investments during 2020 and 2019, respectively. The net cash provided by investing activities is expected to vary from year to year depending on market conditions and management's ability to find and negotiate favorable investment contracts.

Net cash used in financing activities was approximately \$3.4 million and \$1.2 million during 2020 and 2019, respectively. As of December 31, 2020 and 2019, the Company had no debt outstanding with third parties.

The Company had cash and cash equivalents of approximately \$39 million and \$28.8 million as of December 31, 2020 and 2019, respectively. The Company has a portfolio of marketable fixed maturities and equity securities that could be sold, if an unexpected event were to occur. These securities had a fair value of approximately \$165.8 million and \$171.6 million at December 31, 2020 and 2019, respectively. However, the strong cash flows from investing activities, investment maturities and the availability of the line of credit facilities make it unlikely that the Company would need to sell securities for liquidity purposes. See Note 2 – Investments in the Notes to the Consolidated Financial Statements for detailed disclosures regarding the Company's investment portfolio.

Management believes the overall sources of liquidity available will be sufficient to satisfy its financial obligations.

Capital Resources

The Company's capital structure consists of available short-term debt, long-term debt and shareholders' equity. A complete analysis and description of the short-term and long-term debt issues available as of December 31, 2020 and 2019 are presented in Note 7 – Credit Arrangements in the Notes to the Consolidated Financial Statements.

The Company had \$0 debt outstanding as of December 31, 2020 and 2019.

The NAIC's risk-based capital requirements require insurance companies to calculate and report information under a risk-based capital formula. The risk-based capital (RBC) formula measures the adequacy of statutory capital and surplus in relation to investment and insurance risks such as asset quality, mortality and morbidity, asset and liability matching and other business factors. The RBC formula is used by state insurance regulators as an early warning tool to identify, for the purpose of initiating regulatory action, insurance companies that potentially are inadequately capitalized.

At December 31, 2020, UG has a ratio of approximately 6.40, which is 640% of the authorized control level. Accordingly, the Company meets the RBC requirements.

The Board of Directors of UTG has authorized the repurchase in the open market or in privately negotiated transactions of UTG's common stock. At a meeting of the Board of Directors in September of 2020, the Board of Directors of UTG authorized the repurchase of up to an additional \$1.5 million of UTG's common stock, for a total repurchase of \$20 million. Repurchased shares are available for future issuance for general corporate purposes. Company Management has broad authority to operate the program, including the discretion of whether to purchase shares and the ability to suspend or terminate the program. Open market purchases are made based on the last available market price but may be limited. During 2020, the Company repurchased 112,907 shares through the stock repurchase program for approximately \$3,313,154. Through December 31, 2020, UTG has spent approximately \$18,086,249 in the acquisition of 1,282,265 shares under this program.

Shareholders' equity was approximately \$136.7 million and \$131 million as of December 31, 2020 and 2019, respectively. Total shareholders' equity increased approximately 4% in 2020 compared to 2019. The increase is primarily attributable to the change in accumulated other comprehensive income and retained earnings. As of December 31, 2020 and 2019, the Company reported accumulated other comprehensive income of approximately \$15.6 million and \$9 million, respectively.

For the periods ended December 31, 2020 and 2019, the increase in accumulated other comprehensive income was approximately \$6.6 million and \$8.9 million, respectively, as a result of unrealized gains on fixed maturity securities. The variance in the net unrealized gains and losses is the result of normal market fluctuations mainly related to changes in interest rates in the marketplace.

The Company's investments provide sufficient return to cover future obligations. The Company carries all of its fixed maturity holdings as available for sale, which are reported in the Consolidated Financial Statements at their fair value.

New Accounting Pronouncements

See Note 1 – Summary of Significant Account Policies in the Notes to the Consolidated Financial Statements for information regarding new accounting pronouncements.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements, financing activities or other relationships with unconsolidated entities or other persons.

Contractual Obligations

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act and Item 10(f)(1) of Regulation S-K, the Company has elected to comply with certain scaled disclosure reporting obligations, and therefore does not have to provide the information required by this item.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act and Item 10(f)(1) of Regulation S-K, the Company has elected to comply with certain scaled disclosure reporting obligations, and therefore does not have to provide the information required by this item.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

Board of Directors and
Shareholders of UTG, Inc. and Subsidiaries

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of UTG, Inc. and Subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income (loss), shareholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes to the consolidated financial statements (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement, whether due to error or fraud, of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Future Policy Benefits

Critical Audit Matter Description

The estimated valuation of future policy benefits is measured based on actuarial methodologies and underlying economic and future policyholder behavior assumptions. The Company makes these assumptions at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date.

As described in Note 1, the liability for future policy benefits on traditional life insurance products and accident and health insurance policy benefits are calculated using a net level method, including assumptions as to investment yields, mortality, withdrawals and other assumptions based on the Company’s experience. The liability for future policy benefits for universal life contracts is calculated using a retrospective deposit method, and represents the policy account balances.

Auditing estimates for future policy benefits required a high degree of judgment, including the need to involve an actuarial specialist, due to the nature of the data utilized in the complex actuarial models and the significant amount of judgment applied by management in determining these liabilities.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the liability for future policy benefits included the following procedures, among others:

- We obtained an understanding and evaluated the design of controls, including those related to the performance of experience studies and the setting of best estimate assumptions.
- Procedures also included, among others, testing the completeness and accuracy of data provided by management and the involvement of professionals with specialized skill and knowledge to assist in evaluating the appropriateness of management’s actuarial techniques and evaluating the reasonableness of assumptions used in those techniques.
- Engaging an independent actuarial specialist to evaluate whether the methodologies and assumptions used by management in developing the liabilities were appropriate and reasonable.

Valuation of Non-Marketable Investments Reported at Fair Value

Critical Audit Matter Description

The Company holds certain investments that are not actively traded and are classified as Level 3 assets. These investments mainly include equity securities, valued using either the Company’s pricing models to estimate future cash flows or net asset value. Since such securities trade infrequently and have little or no price transparency, the Company’s techniques for determining the estimated fair value of such securities rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. The determination of these unobservable inputs involves significant management judgment and estimation and typically cannot be supported by reference to market activity.

The principal considerations for our determination that performing procedures relating to the valuation of Level 3 investments is a critical audit matter are that there was significant judgment by management to determine the fair value of these Level 3 investments, which included significant unobservable inputs related to comparable market data and discount rates.

Auditing of unobservable inputs used by management to estimate the fair value of Level 3 securities required a high degree of auditor judgement, subjectivity and an increased extent of effort.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the proprietary models and unobservable inputs used by management to estimate the fair value of Level 3 securities included the following, among others:

- We obtained an understanding and evaluated the appropriateness of the Company’s pricing sources.
- We tested the completeness, accuracy, reliability, and relevance of key data used in the models.
- We assessed the consistency by which management has applied significant unobservable valuation assumptions.
- For a selection of securities, we compared the accuracy of the Company’s estimated fair value price to a price independently developed by the audit team.

We have served as the Company’s auditor since 2005.

/s/ Brown Smith Wallace, LLP

St. Louis, Missouri
March 25, 2021

ASSETS

	2020	2019
Investments:		
Investments available for sale:		
Fixed maturities, at fair value (amortized cost \$146,017,864 and \$160,382,782)	\$ 165,779,997	\$ 171,629,373
Equity securities, at fair value (cost \$36,833,795 and \$32,578,862)	78,075,187	78,661,793
Equity securities, at cost	14,389,189	10,919,247
Mortgage loans on real estate at amortized cost	20,802,365	8,223,286
Investment real estate, net	38,086,391	44,344,236
Notes receivable	17,682,296	19,487,458
Policy loans	8,590,524	8,803,876
Short-term investments	0	10,442,173
Total investments	343,405,949	352,511,442
Cash and cash equivalents	39,025,754	28,787,629
Accrued investment income	1,341,643	1,679,783
Reinsurance receivables:		
Future policy benefits	25,267,920	25,655,161
Policy claims and other benefits	3,988,088	4,142,142
Cost of insurance acquired	4,101,471	4,846,321
Property and equipment, net of accumulated depreciation	348,170	427,736
Other assets	1,577,098	695,517
Total assets	\$ 419,056,093	\$ 418,745,731

LIABILITIES AND SHAREHOLDERS' EQUITY

Policy liabilities and accruals:		
Future policy benefits	\$ 243,990,881	\$ 249,264,308
Policy claims and benefits payable	4,169,569	3,631,666
Other policyholder funds	365,761	404,177
Dividend and endowment accumulations	14,836,158	14,626,475
Income taxes payable	268,497	313,662
Deferred income taxes	12,995,714	13,222,604
Trading securities, at fair value (proceeds \$11,246 and \$0)	12,219	0
Other liabilities	5,275,803	5,785,933
Total liabilities	281,914,602	287,248,825
Shareholders' equity:		
Common stock - no par value, stated value \$0.001 per share. Authorized 7,000,000 shares - 3,175,564 and 3,277,830 shares issued and outstanding	3,176	3,279
Additional paid-in capital	33,025,018	36,012,401
Retained earnings	88,068,284	85,979,678
Accumulated other comprehensive income	15,584,241	8,977,914
Total UTG shareholders' equity	136,680,719	130,973,272
Noncontrolling interest	460,772	523,634
Total shareholders' equity	137,141,491	131,496,906
Total liabilities and shareholders' equity	\$ 419,056,093	\$ 418,745,731

See accompanying notes.

UTG, Inc.
Consolidated Statements of Operations
For the Years Ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Premiums and policy fees	\$ 9,256,945	\$ 9,601,612
Ceded reinsurance premiums and policy fees	(2,725,303)	(2,535,980)
Net investment income	9,528,948	11,183,128
Other income	343,467	388,340
Revenues before net investment gains (losses)	16,404,057	18,637,100
Net investment gains (losses):		
Other-than-temporary impairments	0	(650,956)
Other realized investment gains, net	4,645,699	7,598,048
Change in fair value of equity securities	6,208,148	18,611,248
Total net investment gains	10,853,847	25,558,340
Total revenues	27,257,904	44,195,440
Benefits and other expenses:		
Benefits, claims and settlement expenses:		
Life	17,265,646	16,191,227
Ceded reinsurance benefits and claims	(2,399,361)	(2,233,585)
Annuity	1,015,308	1,039,604
Dividends to policyholders	333,331	359,147
Commissions	(129,835)	(130,828)
Amortization of cost of insurance acquired	744,850	775,906
Operating expenses	7,870,909	8,006,748
Total benefits and other expenses	24,700,848	24,008,219
Income before income taxes	2,557,056	20,187,221
Income tax expense (benefit)	340,494	3,591,301
Net income	2,216,562	16,595,920
Net income attributable to noncontrolling interest	(127,956)	(325,143)
Net income attributable to common shareholders	\$ 2,088,606	\$ 16,270,777

Amounts attributable to common shareholders:

Basic income per share	\$ 0.65	\$ 4.95
Diluted income per share	\$ 0.65	\$ 4.95
Basic weighted average shares outstanding	3,233,773	3,285,813
Diluted weighted average shares outstanding	3,233,773	3,285,813

See accompanying notes.

UTG, Inc.
Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2020 and 2019

	2020	2019
Net income	\$ 2,216,562	\$ 16,595,920
Other comprehensive income (loss):		
Unrealized holding gains (losses) arising during period, pre-tax	9,065,958	10,822,757
Tax (expense) benefit on unrealized holding gains (losses) arising during the period	(1,903,851)	(2,272,779)
Unrealized holding gains (losses) arising during period, net of tax	7,162,107	8,549,978
Less reclassification adjustment for (gains) losses included in net income	(703,519)	462,584
Tax expense (benefit) for (gains) losses included in net income	147,739	(97,143)
Reclassification adjustment for (gains) losses included in net income, net of tax	(555,780)	365,441
Subtotal: Other comprehensive income (loss), net of tax	6,606,327	8,915,419
Comprehensive income	8,822,889	25,511,339
Less comprehensive income attributable to noncontrolling interests	(127,956)	(325,143)
Comprehensive income attributable to UTG, Inc.	\$ 8,694,933	\$ 25,186,196

See accompanying notes.

UTG, Inc.
Consolidated Statements of Shareholders' Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Shareholders' Equity
Year ended December 31, 2020						
Balance at January 1, 2019	\$ 3,279	36,012,401	85,979,678	8,977,914	523,634	131,496,906
Common stock issued during year	11	325,657	0	0	0	325,668
Treasury shares acquired and retired	(114)	(3,313,040)	0	0	0	(3,313,154)
Net income attributable to common shareholders	0	0	2,088,606	0	0	2,088,606
Unrealized holding loss on securities net of noncontrolling interest and reclassification adjustment and taxes	0	0	0	6,606,327	0	6,606,327
Contributions	0	0	0	0	0	0
Distributions	0	0	0	0	(190,818)	(190,818)
Gain attributable to noncontrolling interest	0	0	0	0	127,956	127,956
Balance at December 31, 2020	\$ 3,176	33,025,018	88,068,284	15,584,241	460,772	137,141,491

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Shareholders' Equity
Year ended December 31, 2019						
Balance at December 31, 2018	\$ 3,296	36,567,865	69,708,901	62,495	734,153	107,076,710
Common stock issued during year	11	353,876	0	0	0	353,887
Treasury shares acquired and retired	(28)	(909,340)	0	0	0	(909,368)
Net income attributable to common shareholders	0	0	16,270,777	0	0	16,270,777
Unrealized holding loss on securities net of noncontrolling interest and reclassification adjustment and taxes	0	0	0	8,915,419	0	8,915,419
Contributions	0	0	0	0	0	0
Distributions	0	0	0	0	(535,662)	(535,662)
Gain attributable to noncontrolling interest	0	0	0	0	325,143	325,143
Balance at December 31, 2019	\$ 3,279	36,012,401	85,979,678	8,977,914	523,634	131,496,906

See accompanying notes.

UTG, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net income	\$ 2,216,562	\$ 16,595,920
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization (accretion) of investments	(48,539)	136,991
Other-than-temporary impairments	0	650,956
Realized investment gains, net	(4,645,699)	(7,598,048)
Change in fair value of equity securities	(6,208,148)	(18,611,248)
Unrealized trading (gains) losses included in income	973	0
Realized trading (gains) losses included in income	(3,894)	132,518
Amortization of cost of insurance acquired	744,850	775,906
Depreciation and depletion	1,697,285	3,141,801

Stock-based compensation	325,668	353,887
Charges for mortality and administration of universal life and annuity products	(6,355,601)	(5,211,485)
Interest credited to account balances	4,012,179	4,088,309
Change in accrued investment income	338,140	440,099
Change in reinsurance receivables	541,295	374,515
Change in policy liabilities and accruals	(2,285,473)	(4,331,160)
Change in income taxes receivable (payable)	(45,165)	592,995
Change in other assets and liabilities, net	(3,527,819)	1,988,577
Net cash used in operating activities	(13,243,386)	(6,479,467)
Cash flows from investing activities:		
Proceeds from investments sold and matured:		
Fixed maturities available for sale	23,924,989	14,390,181
Equity securities	18,281,727	14,385,393
Trading securities	(579)	0
Mortgage loans	707,274	5,283,749
Real estate	11,983,353	11,181,547
Notes receivable	5,305,162	20,261,459
Policy loans	1,256,793	1,635,686
Short-term investments	18,500,000	0
Total proceeds from investments sold and matured	79,958,719	67,138,015
Cost of investments acquired:		
Fixed maturities available for sale	(9,048,928)	(14,634,233)
Equity securities	(15,362,440)	(2,092,304)
Trading securities	15,719	(132,518)
Mortgage loans	(13,213,037)	(4,367,644)
Real estate	(2,995,519)	(1,958,982)
Notes receivable	(3,500,000)	(16,031,605)
Policy loans	(1,043,441)	(1,235,340)
Short-term investments	(7,890,228)	(10,403,628)
Total cost of investments acquired	(53,037,874)	(50,856,254)
Net cash provided by investing activities	26,920,845	16,281,761
Cash flows from financing activities:		
Policyholder contract deposits	4,408,039	4,669,825
Policyholder contract withdrawals	(4,343,401)	(4,389,622)
Purchase of treasury stock	(3,313,154)	(909,368)
Noncontrolling contributions/(distributions) of consolidated subsidiary	(190,818)	(535,662)
Net cash used in financing activities	(3,439,334)	(1,164,827)
Net increase (decrease) in cash and cash equivalents	10,238,125	8,637,467
Cash and cash equivalents at beginning of year	28,787,629	20,150,162
Cash and cash equivalents at end of year	<u>\$ 39,025,754</u>	<u>\$ 28,787,629</u>

See accompanying notes.

UTG, Inc.
Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies

Business – UTG, Inc. is an insurance holding company. The Company’s dominant business is individual life insurance, which includes the servicing of existing insurance in-force and the acquisition of other companies in the life insurance business. UTG and its subsidiaries are collectively referred to as the “Company”.

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S. and globally, accelerating during the first half of March, as federal, state, and local governments reacted to the public health crisis, creating significant uncertainties in the U.S. economy. The Company has not experienced a slow-down in activities, however government restrictions and client-imposed delays are evaluated regularly and this could change. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The Company cannot at this time predict the ultimate impact the pandemic will have on its results of operations, financial position, liquidity, or capital resources but such impact could be material.

This document at times will refer to the Registrant’s largest shareholder, Mr. Jesse T. Correll and certain companies controlled by Mr. Correll. Mr. Correll holds a majority ownership of First Southern Funding, LLC (“FSF”), a Kentucky corporation, and First Southern Bancorp, Inc. (“FSBI”), a financial services holding company. FSBI operates through its 100% owned subsidiary bank, First Southern National Bank (“FSNB”). Banking activities are conducted through multiple locations within south-central and western Kentucky. Mr. Correll is Chief Executive Officer and Chairman of the Board of Directors of UTG and is currently UTG’s largest shareholder through his ownership control of FSF, FSBI and affiliates. At December 31, 2020, Mr. Correll owns or controls directly and indirectly approximately 65% of UTG’s outstanding stock.

UTG’s life insurance subsidiary has several wholly-owned and majority-owned subsidiaries. The subsidiaries were formed to hold certain real estate and other investments. The investments were placed into the limited liability companies and partnerships to provide additional protection to the policyholders and to UG.

Basis of Presentation – The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), under guidance issued by the Financial Accounting Standards Board (“FASB”). The preparation of financial statements in accordance with GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of the Registrant and its wholly and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated during consolidation.

Business Segments – The Company has only one business segment – life insurance.

Investments – The Company reports its investments as follows:

Fixed Maturity Investments – The Company classifies its fixed maturity investments, which include bonds, as available for sale. Investments classified as available for sale are carried at fair value with unrealized gains and losses, net of deferred taxes, reflected directly in accumulated other comprehensive income. Premiums and discounts on debt securities purchased at other than par value are amortized and accreted, respectively, to interest income in the Consolidated Statements of Operations, using the constant yield method over the period to maturity. Net realized gains and losses on sales of available for sale securities, and unrealized losses considered to be other-than-temporary, are recorded to net realized investment gains (losses) in the Consolidated Statements of Operations.

Equity Securities at Fair Value – Investments in equity securities, which include common and preferred stocks, are reported at fair value with unrealized gains and losses reported as a component of net income (loss).

Equity Securities at Cost – These investments are reported at their cost basis, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Mortgage Loans on Real Estate – Mortgage loans on real estate are reported at their unpaid principal balances, adjusted for amortization of premium or discount and valuation allowances. Valuation allowances are established for impaired loans when it is probable that contractual principal and interest will not be collected. Included in the mortgage loans balance is discounted mortgage loans on real estate. Discounted mortgage loans on real estate are loans that the Company purchased at a deep discount through an auction process led by the Federal Government or

other intermediary. In general, the discounted loans are non-performing and there is a significant amount of uncertainty surrounding the timing and amount of cash flows to be received by the Company. Accordingly, the Company records its investment in the discounted loans at its original purchase price adjusted for any principal receipts. Management works with the borrower to reach a settlement on the loan or they foreclose on the underlying collateral which is primarily commercial real estate. For cash payments received during the work out process, the Company records these payments to interest income on a cash basis. For loan settlements reached, the Company records the amount in excess of the carrying amount of the loan as a discount accretion to investment income at the closing date. Management reviews the discount loan portfolio regularly for impairment. If an impairment is identified (after consideration of the underlying collateral), the Company records an impairment to earnings in the period the information becomes known.

Investment Real Estate – Real estate held-for-investment is stated at cost less accumulated depreciation. Depreciation is computed on a straight-line-basis for financial reporting purposes using estimated useful lives of 3 to 30 years. Real estate for which the Company commits to a plan to sell within one year and actively markets in its current condition, for a reasonable price, in comparison to its estimated fair value, is classified as held-for-sale. Real estate held-for-sale is stated at lower of depreciated cost or estimated fair value less expected disposition costs and is not depreciated.

Notes Receivable – Notes receivable are reported at their unpaid principal balances, adjusted for valuation allowances. Valuation allowances are established for impaired loans when it is probable that contractual principal and interest will not be collected. Interest accruals are analyzed based on the likelihood of repayment. The Company does not utilize a specified number of days delinquent to cause an automatic non-accrual status.

Policy Loans – Policy loans are reported at their unpaid balances, including accumulated interest, but not in excess of the cash surrender value of the related policy.

Short-Term Investments – Short-term investments have remaining maturities exceeding three months and under 12 months at the time of purchase and are stated at amortized cost, which approximates fair value.

Gains and Losses – Realized gains and losses include sales of investments and investment impairments. If any, other-than-temporary impairments in fair value are recognized in net income on the specific identification basis.

Fair Value – Fair values for cash, short-term investments, short-term debt, receivables and payables approximate carrying value. Fair values for fixed maturities, equity securities and certain other assets are determined in accordance with specific accounting guidance. Fair values are based on quoted market prices, where available. Otherwise, fair values are based on quoted market prices of comparable instruments in active markets, quotes in inactive markets, or other observable criteria. Mortgage loans on real estate and notes receivable are estimated using discounted cash flow analyses. Discounted mortgage loans on real estate are reported at original purchase price, which Management believes approximates fair value. For more specific information regarding the Company's measurements and procedures in valuing financial instruments, see Note 3 – Fair Value Measurements.

Impairment of Investments – The Company evaluates its investment portfolio for other-than-temporary impairments as described in Note 2 – Investments. If a security is deemed to be other-than-temporarily impaired, the cost basis of the security is written down to fair value and is treated as a realized loss.

Current accounting guidance states that if an entity intends to sell or if it is more likely than not that it will be required to sell an impaired security prior to recovery of its cost basis, the security is to be considered other-than-temporarily impaired and the full amount of impairment must be charged to earnings. Otherwise, losses on fixed maturities which are other-than-temporarily impaired are separated into two categories, the portion of the loss which is considered credit loss and the portion of the loss which is due to other factors. The credit loss portion is charged to earnings while the loss due to other factors is charged to other comprehensive income.

Cash Equivalents – Cash equivalents consist of money market accounts and investments with maturities of three months or less when purchased.

Cash – Cash consists of balances on hand and on deposit in banks and financial institutions.

Reinsurance - In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance enterprises or reinsurers under excess coverage and coinsurance contracts. The Company retains a maximum of \$125,000 of coverage per individual life.

Reinsurance receivables are recognized in a manner consistent with the liabilities relating to the underlying reinsured contracts. The cost of reinsurance related to long-duration contracts is accounted for over the life of the underlying reinsured policies using assumptions consistent with those used to account for the underlying policies.

Cost of Insurance Acquired - When an insurance company is acquired, the Company assigns a portion of its cost to the right to receive future cash flows from insurance contracts existing at the date of the acquisition. The cost of policies purchased represents the actuarially determined present value of the projected future profits from the acquired policies. Cost of insurance acquired is amortized with interest in relation to expected future profits, including direct charge-offs for any excess of the unamortized asset over the projected future profits. The amortization is adjusted retrospectively when estimates of current or future gross profits to be realized from a group of products are revised.

Property and Equipment - Company-occupied property, data processing equipment and furniture and office equipment are stated at cost less accumulated depreciation of \$5,995,990 and \$5,916,424 at December 31, 2020 and 2019, respectively. Depreciation is computed on a straight-line basis for financial reporting purposes using estimated useful lives of 3 to 30 years. Depreciation expense was \$79,565 and \$260,831 for the years ended December 31, 2020 and 2019, respectively.

Future Policy Benefits and Expenses - The liabilities for traditional life insurance and accident and health insurance policy benefits are computed using a net level method. These liabilities include assumptions as to investment yields, mortality, withdrawals, and other assumptions based on the life insurance subsidiary's experience adjusted to reflect anticipated trends and to include provisions for possible unfavorable deviations. The Company makes these assumptions at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. Future policy benefits for individual life insurance and annuity policies are computed using interest rates ranging from 2.0% to 6.0% for life insurance and 2.5% to 7.5% for annuities. Benefit reserves for traditional life insurance policies include certain deferred profits on limited-payment policies that are being recognized in income over the policy term. Policy benefit claims are charged to expense in the period that the claims are incurred. The mortality rate assumptions for policies currently issued by the Company are based on 2001 select and ultimate tables. Withdrawal rate assumptions are based upon Linton B or C, which are industry standard actuarial tables for forecasting assumed policy lapse rates.

Benefit reserves for universal life insurance and interest sensitive life insurance products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expense include benefit claims in excess of related policy account balances. Interest crediting rates for universal life and interest sensitive products range from 3.0% to 6.0% as of December 31, 2020 and 2019.

Policy Claims and Benefits Payable - Policy and contract claims include provisions for reported claims in process of settlement, valued in accordance with the terms of the policies and contracts, as well as provisions for claims incurred and unreported. The estimate of incurred and unreported claims is based on prior experience. The Company makes an estimate after careful evaluation of all information available to the Company. There is no certainty the stated liability for policy claims and benefits payable, including the estimate for incurred but unreported claims, will be the Company's ultimate obligation.

Income Taxes – Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax impact attributable to differences between the financial statement book values and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. More information concerning income taxes is provided in Note 6 – Income Taxes.

Earnings Per Share – The objective of both basic earnings per share ("EPS") and diluted EPS is to measure the performance of an entity over the reporting period. The Company presents basic and diluted EPS on the face of the Consolidated Statements of Operations. Basic EPS is computed by dividing income available to common shareholders by the weighted average common shares outstanding for the period. Diluted EPS is calculated by adding to shares outstanding the additional net effect of potentially dilutive securities or contracts, such as stock options, which could be exercised or converted into common shares.

Recognition of Revenues and Related Expenses - Premiums for traditional life insurance products, which include those products with fixed and guaranteed premiums and benefits, consist principally of whole life insurance policies, and certain annuities with life contingencies are recognized as revenues when due. Limited payment life insurance policies defer gross premiums received in excess of net premiums, which is then recognized in income in a constant relationship with insurance in-force. Accident and health insurance premiums are recognized as revenue pro rata over the terms of the policies. Benefits and related expenses associated with the premiums earned are charged to expense proportionately over the lives of the policies through a provision for future policy benefit liabilities and through deferral and amortization of deferred policy acquisition costs. For universal life and investment products, generally there is no requirement for payment of premium other than to maintain account values at a level sufficient to pay mortality and expense charges. Consequently, premiums for universal life policies and investment products are not reported as revenue, but as deposits. Policy fee revenue for universal life policies and investment products consists of charges for the cost of insurance and policy administration fees assessed during the period. Expenses include interest credited to policy account balances and benefit claims incurred in excess of policy account balances.

Recently Issued Accounting Standards

In November of 2020, the FASB issued Accounting Standards Update No. 2020-11, *Financial Services-Insurance (Topic 944): Effective Date and Early Application*. The FASB issued ASU 2020-11 that will help insurance companies adversely affected by the COVID-19 pandemic by giving them an additional year to implement ASU No. 2018-12. See below for further analysis regarding ASU No. 2018-12.

In January of 2020, the FASB issued Accounting Standards Update No. 2020-01, *Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) - Clarifying the Interactions between Topic 321, Topic 323, and Topic 815* or ASU 2020-01. ASU 2020-01 clarifies the interaction between accounting standards related to equity securities, equity method investments, and certain derivatives. The ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In December of 2019, the FASB issued Accounting Standards Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* or ASU 2019-12. ASU 2019-12 is expected to reduce the cost and complexity related to the accounting for income taxes. The ASU removes specific exceptions to the general principles in Topic 740 and improves the financial statement preparer's application of income tax related guidance. The ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* or ASU 2018-13. ASU 2018-13 modifies certain disclosure requirements related to fair value measurements including requiring disclosures on changes in unrealized gains and losses in other comprehensive income for recurring Level 3 fair value measurements and a requirement to disclose the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. The implementation of this ASU did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update No. 2018-12, *Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* or ASU 2018-12. ASU 2018-12 significantly changes how insurers account for long-duration insurance contracts. The new guidance will require insurers to review and update, if necessary, the assumptions used to measure insurance liabilities periodically, rather than retain assumptions used at contract inception. The updated guidance also changes the recognition and measurement of deferred acquisition costs (DAC) and created a new category of benefit features called market risk benefits (MRB) that will be measured at fair value. The guidance also significantly expands the disclosure requirements for long-duration contracts. The ASU was originally effective for fiscal years, and interim periods within those years, for years beginning after December 15, 2020 and early adoption is permitted. The guidance on measuring the liabilities for future policy benefits and DAC will be adopted on a modified retrospective basis as of the earliest period presented in the year of adoption. The guidance on MRB will be adopted on a retrospective basis as of the earliest period presented in the year of adoption. In November of 2019, the FASB issued ASU 2019-09, which delayed the effective date of ASU 2018-12 to fiscal years beginning after December 15, 2024 for smaller reporting companies. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

Accounting Standards Update (ASU 2016-13), *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* - The amendments included in ASU 2016-13 require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better evaluate their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 was originally effective for public companies for fiscal years beginning after December 15, 2019. In November of 2019, the FASB issued Accounting Standards Update No. 2019-10, which delayed the implementation of ASU 2016-13 to fiscal years beginning after December 15, 2022 for smaller reporting companies. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

Reclassifications - Certain reclassifications have been made to the 2019 Consolidated Financial Statements to make them comparable to the current year Consolidated Financial Statements.

Note 2 - Investments

Available for Sale Securities - Fixed Maturity Securities

The Company's insurance subsidiary is regulated by insurance statutes and regulations as to the type of investments they are permitted to make, and the amount of funds that may be used for any one type of investment.

Investments in available for sale securities are summarized as follows for the years ended December 31:

	Original or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2020				
Investments available for sale:				
Fixed maturities				
U.S. Government and govt. agencies and authorities	\$ 36,285,535	\$ 1,186,999	\$ 0	\$ 37,472,534
U.S. special revenue and assessments	11,556,980	1,382,164	0	12,939,144
All other corporate bonds	98,175,349	17,604,617	411,647	116,191,613
Total	<u>\$ 146,017,864</u>	<u>\$ 20,173,780</u>	<u>\$ 411,647</u>	<u>\$ 166,603,291</u>
	Original or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2019				
Investments available for sale:				
Fixed maturities				
U.S. Government and govt. agencies and authorities	\$ 35,761,440	\$ 402,832	\$ (35,529)	\$ 36,128,743
U.S. special revenue and assessments	14,371,263	832,100	0	15,203,363
All other corporate bonds	110,250,079	10,470,115	(422,927)	120,297,267
Total	<u>\$ 160,382,782</u>	<u>\$ 11,705,047</u>	<u>\$ (458,456)</u>	<u>\$ 171,629,373</u>

The amortized cost and estimated market value of debt securities at December 31, 2020, by contractual maturity, is shown below. 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.

Fixed Maturities Available for Sale December 31, 2020	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 20,502,132	\$ 20,830,029
Due after one year through five years	41,801,036	44,366,992
Due after five years through ten years	32,822,747	37,705,439
Due after ten years	24,149,660	29,454,200
Fixed maturities with no single maturity date	26,742,289	33,423,337
Total	<u>\$ 146,017,864</u>	<u>\$ 165,779,997</u>

By insurance statute, the majority of the Company's investment portfolio is invested in investment grade securities to provide ample protection for policyholders.

Below investment grade debt securities generally provide higher yields and involve greater risks than investment grade debt securities because their issuers typically are more highly leveraged and more vulnerable to adverse economic conditions than investment grade issuers. In addition, the trading market for these securities is usually more limited than for investment grade debt securities. Debt securities classified as below-investment grade are those that receive a Standard & Poor's rating of BB+ or below.

The Company held below investment grade investments with an estimated market value of \$0 and \$1,031,570 as of December 31, 2020 and December 31, 2019, respectively. The investments are all classified as "All other corporate bonds".

The fair value of investments with sustained gross unrealized losses are as follows as of December 31:

2020	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
All other corporate bonds	\$ 4,937	(63)	\$ 0	(411,584)	\$ 4,937	(411,647)
Total fixed maturities	<u>\$ 4,937</u>	<u>(63)</u>	<u>\$ 0</u>	<u>(411,584)</u>	<u>\$ 4,937</u>	<u>(411,647)</u>

2019	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Government and govt. agencies and authorities	\$ 6,059,380	(35,529)	\$ 0	(422,927)	\$ 6,059,380	(458,456)
Total fixed maturities	\$ 6,059,380	(35,529)	\$ 0	(422,927)	\$ 6,059,380	(458,456)

The following table provides additional information regarding the number of securities that were in an unrealized loss position for greater than or less than twelve months:

	Less than 12 months	12 months or longer	Total
As of December 31, 2020			
Fixed maturities	1	1	2
As of December 31, 2019			
Fixed maturities	3	1	4

Substantially all of the unrealized losses on fixed maturities available for sale at December 31, 2020 and 2019 are attributable to changes in market interest rates and general disruptions in the credit market subsequent to purchase. The Company does not currently intend to sell nor does it expect to be required to sell any of the securities in an unrealized loss position. Based upon the Company's expected continuation of receipt of contractually required principal and interest payments and its intent and ability to retain the securities until price recovery, as well as the Company's evaluation of other relevant factors, the Company deems these securities to be temporarily impaired as of December 31, 2020 and 2019.

Cost Method Investments

The Company held equity investments with an aggregate cost of \$14,389,189 and \$10,919,247 at December 31, 2020 and 2019, respectively. These equity investments were not reported at fair value because it is not practicable to estimate their fair values due to insufficient information being available. Management did not identify any events or changes in circumstances that might have a significant adverse effect on the reported value of those investments. Based on Management's evaluation of the expected cash flow of the investments, and the Company's ability and intent to hold the investments for a reasonable period of time, the Company does not deem an other-than-temporary impairment necessary at December 31, 2020.

Trading Securities

Securities designated as trading securities are reported at fair value, with gains or losses resulting from changes in fair value recognized in net investment income on the Consolidated Statements of Operations. Trading Securities included exchange-traded equities and exchange-traded options. Trading securities carried as liabilities were securities sold short. A gain, limited to the price at which the security was sold short, or a loss, potentially unlimited in size, will be recognized upon the termination of the short sale. The fair value of derivatives included in trading security assets and trading security liabilities as of December 31, 2020 was \$0 and \$(12,219), respectively. The fair value of derivatives included in trading security assets and trading security liabilities as of December 31, 2019 was \$0 and \$0, respectively. Earnings from trading securities are classified in cash flows from operating activities. The derivatives held by the Company are for income generation purposes only.

The following table reflects trading securities revenue charged to net investment income for the periods ended December 31:

	2020	2019
Net unrealized gains (losses)	\$ (973)	\$ 0
Net realized gains (losses)	3,894	(132,518)
Net unrealized and realized gains (losses)	\$ 2,921	\$ (132,518)

Mortgage Loans

The Company, from time to time, acquires mortgage loans through participation agreements with FSNB. FSNB has been able to provide the Company with additional expertise and experience in underwriting commercial and residential mortgage loans, which provide more attractive yields than the traditional bond market. The Company is able to receive participations from FSNB for three primary reasons: 1) FSNB has already reached its maximum lending limit to a single borrower, but the borrower is still considered a suitable risk; 2) the interest rate on a particular loan may be fixed for a long period that is more suitable for UG given its asset-liability structure; and 3) FSNB's loan growth might at times outpace its deposit growth, resulting in FSNB participating such excess loan growth rather than turning customers away. For originated loans, the Company's Management is responsible for the final approval of such loans after evaluation. Before a new loan is issued, the applicant is subject to certain criteria set forth by Company Management to ensure quality control. These criteria include, but are not limited to, a credit report, personal financial information such as outstanding debt, sources of income, and personal equity. Once the loan is approved, the Company directly funds the loan to the borrower. The Company bears all risk of loss associated with the terms of the mortgage with the borrower.

During 2020 and 2019, the Company acquired \$13,213,037 and \$4,367,644 in mortgage loans, respectively. FSNB services the majority of the Company's mortgage loan portfolio. The Company pays FSNB a .25% servicing fee on these loans and a one-time fee at loan origination of .50% of the original loan cost to cover costs incurred by FSNB relating to the processing and establishment of the loan.

During 2020 and 2019, the maximum and minimum lending rates for mortgage loans were:

	2020		2019	
	Maximum rate	Minimum rate	Maximum rate	Minimum rate
Farm loans	4.50 %	4.50 %	5.00 %	5.00 %
Commercial loans	5.25 %	4.24 %	7.50 %	4.82 %
Residential loans	4.95 %	4.95 %	5.50 %	5.50 %

Most mortgage loans are first position loans. Loans issued are generally limited to no more than 80% of the appraised value of the property.

The Company has in place a monitoring system to provide Management with information regarding potential troubled loans. Letters are sent to each mortgagee when the loan becomes 30 days or more delinquent. Management is provided with a monthly listing of loans that are 60 days or more past due. All loans 90 days or more past due are placed on a non-performing status and classified as delinquent loans. Quarterly, coinciding with external financial reporting, the Company reviews each delinquent loan and determines how each delinquent loan should be classified. Management believes the current internal controls surrounding the mortgage loan selection process provide a quality portfolio with minimal risk of foreclosure and/or negative financial impact.

Changes in the current economy could have a negative impact on the loans, including the financial stability of the borrowers, the borrowers' ability to pay or to refinance, the value of the property held as collateral and the ability to find purchasers at favorable prices. Interest accruals are analyzed based on the likelihood of repayment. In no event will interest continue to accrue when accrued interest along with the outstanding principal exceeds the net realizable value of the property. The Company does not utilize a specified number of days delinquent to cause an automatic non-accrual status.

A mortgage loan reserve is established and adjusted based on Management's quarterly analysis of the portfolio and any deterioration in value of the underlying property which would reduce the net realizable value of the property below its current carrying value. The mortgage loan reserve was \$0 at December 31, 2020 and 2019.

The following table summarizes the mortgage loan holdings of the Company for the periods ended December 31:

	2020	2019
In good standing	\$18,704,351	\$ 8,223,286
Overdue interest over 90 days	2,098,014	0
Total mortgage loans	\$20,802,365	\$ 8,223,286
Total foreclosed loans during the year	\$ 0	\$ 234,044

Investment Real Estate

Real estate held-for-investment is stated at cost less accumulated depreciation. Depreciation is computed on a straight-line-basis for financial reporting purposes using estimated useful lives of 3 to 30 years. The Company periodically reviews its real estate held-for-investment for impairment and tests for recoverability whenever events or changes in circumstances indicate the carrying value may not be recoverable. During 2020 and 2019, no impairments were recognized on the investment real estate.

Note 3 - Fair Value Measurements of the Consolidated Financial Statements provides further information regarding the fair value of financial instruments that are not measured at fair value. The investment real estate owned by the Company is included in this portion of the Note 3 - Fair Value Measurements disclosure.

The following table provides an allocation of the Company's investment real estate by type for the periods ended December 31:

	2020	2019
Raw land	\$11,727,103	\$16,089,540
Commercial	3,530,064	4,908,028
Residential	2,797,648	2,251,772
Land, minerals and royalty interests	20,031,576	21,094,896
Total investment real estate	<u>\$38,086,391</u>	<u>\$44,344,236</u>

The Company's investment real estate portfolio includes ownership in oil and gas royalties. As of December 31, 2020 and 2019, investments in oil and gas royalties represented 48% and 44%, respectively, of the total investment real estate portfolio. See Note 13 - Concentrations of the Consolidated Financial Statements for additional information regarding the allocation of the oil and gas investment real estate holdings by industry type.

Gains and losses recognized on the disposition of the properties are recorded as realized gains and losses in the Consolidated Statements of Operations. During 2020 and 2019, the Company acquired \$2,995,519 and \$1,958,982 of investment real estate, respectively.

Notes Receivable

Notes receivable represent collateral loans and promissory notes issued by the Company and are reported at their unpaid principal balances, adjusted for valuation allowances. Valuation allowances are established for impaired loans when it is probable that contractual principal and interest will not be collected. The valuation allowance as of December 31, 2020 and 2019 was \$0. Interest accruals are analyzed based on the likelihood of repayment. The Company does not utilize a specified number of days delinquent to cause an automatic non-accrual status. During 2020 and 2019, the Company acquired \$3,500,000 and \$16,031,605 of notes receivable, respectively.

Before a new note is issued, the applicant is subject to certain criteria set forth by Company Management to ensure quality control. Once the note is approved, the Company directly funds the note to the borrower. Several of the notes have participation agreements in place, whereas the Company has reduced its investment in the note receivable by participating a portion of the note to a third party.

Similar to the mortgage loans, FSNB services several of the notes receivable. The Company, and the participants in the notes, share in the risk of loss associated with the terms of the note with the borrower, based upon their ownership percentage in the note. The Company has in place a monitoring system to provide Management with information regarding potential troubled loans.

Short-Term Investments

Short-term investments have remaining maturities exceeding three months and under 12 months at the time of purchase and are stated at amortized cost, which approximates fair value. The short-term investments consist of United States Treasury securities.

During 2020 and 2019, the Company acquired \$7,890,228 and \$10,403,628, respectively, in short-term investments.

Analysis of Investment Operations

The following table reflects the Company's net investment income for the periods ended December 31:

	2020	2019
Fixed maturities	\$ 5,309,028	\$ 5,854,031
Equity securities	1,754,958	1,543,904
Trading securities	2,921	(132,518)
Mortgage loans	709,604	479,841
Real estate	2,212,851	2,934,666
Notes receivable	1,233,148	1,848,314
Policy loans	599,897	607,537
Cash and cash equivalents	53,880	137,372
Short-term	167,599	38,545
Total consolidated investment income	12,043,886	13,311,692
Investment expenses	(2,514,938)	(2,128,564)
Consolidated net investment income	<u>\$ 9,528,948</u>	<u>\$11,183,128</u>

The following table presents net investment gains (losses) and the change in net unrealized gains on investments for the periods ended December 31:

	2020	2019
Realized gains:		
Sales of fixed maturities	\$ 768,511	\$ 331,322
Sales of equity securities	0	3,482,092
Sales of real estate	4,347,705	3,929,195
Total realized gains	<u>5,116,216</u>	<u>7,742,609</u>
Realized losses:		
Sales of fixed maturities	(64,992)	(142,252)
Sales of equity securities	(405,525)	(2,309)
Other-than-temporary impairments	0	(650,956)
Total realized losses	<u>(470,517)</u>	<u>(795,517)</u>
Net realized investment gains (losses)	<u>4,645,699</u>	<u>6,947,092</u>
Change in fair value of equity securities:		
Change in fair value of equity securities held at the end of the period	6,208,148	18,611,248
Change in fair value of equity securities	<u>6,208,148</u>	<u>18,611,248</u>
Net investment gains (losses)	<u>\$ 10,853,847</u>	<u>\$ 25,558,340</u>
Change in net unrealized gains (losses) on available-for-sale investments included in other comprehensive income:		
Fixed maturities	\$ 9,065,958	\$ 10,822,757
Net increase (decrease)	<u>\$ 9,065,958</u>	<u>\$ 10,822,757</u>

Other-Than-Temporary Impairments

The Company regularly reviews its investment securities for factors that may indicate that a decline in fair value of an investment is other than temporary. The factors considered by Management in its regular review to identify and recognize other-than-temporary impairment losses on fixed maturities include, but are not limited to: the length of time and extent to which the fair value has been less than cost; the Company's intent to sell, or be required to sell, the debt security before the anticipated recovery of its remaining amortized cost basis; the financial condition and near-term prospects of the issuer; adverse changes in ratings announced by one or more rating agencies; subordinated credit support, whether the issuer of a debt security has remained current on principal and interest payments; current expected cash flows; whether the decline in fair value appears to be issuer specific or, alternatively, a reflection of general market or industry conditions, including the effect of changes in market interest rates. If the Company intends to sell a debt security, or it is more likely than not that it would be required to sell a debt security before the recovery of its amortized cost basis, the entire difference between the security's amortized cost basis and its fair value at the balance sheet date would be recognized by a charge to other-than-temporary losses in the Consolidated Statements of Operations.

Management regularly reviews its real estate portfolio in comparison to appraisal valuations and current market conditions for indications of other-than-temporary impairments. If a decline in value is judged by Management to be other-than-temporary, a loss is recognized by a charge to other-than-temporary impairment losses in the Consolidated Statements of Operations.

Based on Management's review of the investment portfolio, the Company recorded the following losses for other-than-temporary impairments in the Consolidated Statements of Operations for the periods ended December 31:

	2020	2019
Other than temporary impairments:		
Fixed maturities	\$ 0	\$ 650,956
Total other than temporary impairments	\$ 0	\$ 650,956

The other-than-temporary impairment recognized during 2019 was taken as a result of Management's assessment and determination of value of the investment. The investment was written down to better reflect its current expected value.

Investments on Deposit

The Company had investments with a fair value of \$8,680,638 and \$8,371,827 on deposit with various state insurance departments as of December 31, 2020 and 2019, respectively.

Note 3 – Fair Value Measurements

Assets and liabilities recorded at fair value in the Condensed Consolidated Balance Sheets are measured and classified in accordance with a fair value hierarchy consisting of three levels based on the observability of valuation inputs:

Level 1 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Valuation methodologies include quoted prices for similar assets and liabilities in active markets or quoted prices for identical, quoted prices for identical or similar assets or liabilities in markets that are not active, or the Company may use various valuation techniques or pricing models that use observable inputs to measure fair value.

Level 3 – Valuation is based upon unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect the Company's own assumptions about the inputs that market participants would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents information about assets and liabilities measured at fair value on a recurring basis and indicates the level of the fair value measurement based on the observability of the inputs used as of December 31:

2020	Level 1	Level 2	Level 3	Net Asset Value	Total
Financial assets:					
Fixed maturities available for sale:					
U.S. Government and government agencies and authorities	\$ 37,472,534	\$ 0	\$ 0	\$ 0	\$ 37,472,534
U.S. special revenue and assessments	0	12,939,144	0	0	12,939,144
Corporate securities	0	115,368,319	0	0	115,368,319
Total fixed maturities	37,472,534	128,307,463	0	0	165,779,997
Equity securities:					
Common stocks	28,477,005	15,922,869	3,161,120	30,496,625	78,057,619
Preferred stocks	0	17,568	0	0	17,568
Total equity securities	28,477,005	15,940,437	3,161,120	30,496,625	78,075,187
Total financial assets	\$ 65,949,539	\$ 144,247,900	\$ 3,161,120	\$ 30,496,625	\$ 243,855,184
Liabilities					
Trading Securities	\$ (12,219)	\$ 0	\$ 0	\$ 0	\$ (12,219)
2019	Level 1	Level 2	Level 3	Net Asset Value	Total
Financial assets:					
Fixed maturities available for sale:					
U.S. Government and government agencies and authorities	\$ 36,128,743	\$ 0	\$ 0	\$ 0	\$ 36,128,743
U.S. special revenue and assessments	0	15,203,363	0	0	15,203,363
U.S. special revenue and assessments	0	120,297,267	0	0	120,297,267
Corporate securities	36,128,743	135,500,630	0	0	171,629,373
Total fixed maturities					
Common stocks	29,888,281	14,258,750	10,274,810	24,239,952	78,661,793
Total equity securities	29,888,281	14,258,750	10,274,810	24,239,952	78,661,793
Total financial assets	\$ 66,017,024	\$ 149,759,380	\$ 10,274,810	\$ 24,239,952	\$ 250,291,166
Liabilities					
Trading Securities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

The following is a description of the valuation techniques used by the Company to measure assets reported at fair value on a recurring basis. There have been no significant changes in the valuation techniques utilized by the Company during 2020 or 2019.

Available for Sale Securities

Securities classified as available for sale are recorded at fair value on a recurring basis. Securities classified as Level 1 utilized fair value measurements based upon quoted market prices, when available. If quoted market prices are not available, the Company obtains fair value measurements from recently executed transactions, market price quotations, benchmark yields and issuer spreads to value Level 2 securities. In certain instances where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Fair value determinations for Level 3 measurements are estimated on a quarterly basis where assumptions used are reviewed to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Equity Securities at Fair Value

Equity securities consist of common and preferred stocks mainly in private equity investments, financial institutions and publicly traded corporations. Equity securities for which there is sufficient market data are categorized as Level 1 or 2 in the fair value hierarchy. For the equity securities in which quoted market prices are not available, the Company uses industry standard pricing methodologies, including discounted cash flow models that may incorporate various inputs such as payment expectations, risk of the investment, market data, and health of the underlying company. The inputs are based upon Management's assumptions and available market information. When evidence is believed to support a change to the carrying value from the transaction price, adjustments are made to reflect the expected cash flows, material events and market data. These investments are included in Level 3 of the fair value hierarchy.

Equity Securities at Net Asset Value

Certain equity securities carried at fair value, which do not have readily determinable fair values, use net asset value ("NAV") and are excluded from the fair value hierarchy. These investments are generally not readily redeemable by the investee. See Note 8 – Commitments and Contingencies for additional information regarding unfunded commitments.

During 2020, the Company elected to begin reporting the fair value for a certain equity security that was previously reported with a fair value of zero. Historically, the Company did not assign a fair value to this equity security due to the lack of availability of adequate financial and other data necessary to reasonably determine a fair value. During 2020, the Company started receiving

consistent and timely financial data and determined we had sufficient data to support and report a fair value for this security. The fair value of this security was approximately \$3.9 million at December 31, 2020. The mark to fair value produced an unrealized gain of approximately \$3.9 million, which is reported as a component of the change in the fair value of equity securities in the Consolidated Statements of Operations.

Trading Securities

Trading securities are recorded at fair value. They are classified as Level 1 and utilize fair value measurements based upon quoted market prices.

Change in Level 3 Recurring Fair Value Measurements

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis, and the realized and unrealized gains (losses) related to the Level 3 assets and liabilities.

	Equity Securities, Fair Value	Equity Securities, Net Asset Value	Total
Balance at December 31, 2019	\$ 10,274,810	\$ 24,239,952	\$ 34,514,762
Realized gains (losses)	2,499,653	0	2,499,653
Unrealized gains (losses)	1,053,688	4,506,736	5,560,424
Purchases	2,107,432	1,782,842	3,890,274
Sales	(12,774,463)	(32,905)	(12,807,368)
Balance at December 31, 2020	<u>\$ 3,161,120</u>	<u>\$ 30,496,625</u>	<u>\$ 33,657,745</u>

Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3 in the tables above. As a result, the unrealized gains (losses) on instruments held at December 31, 2020 and 2019 may include changes in fair value that were attributable to both observable and unobservable inputs.

Quantitative Information About Level 3 Fair Value Measurements

The following table presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level 3 instruments, and include only those instrument for which information about the inputs is reasonably available to the Company, such as data from independent third-party valuation service providers and from internal valuation models.

Financial Assets	Fair Value at December 31, 2020	Fair Value at December 31, 2019	Valuation Technique
Common stocks	\$ 30,496,625	\$ 24,239,952	Net Asset Value
Common stocks	3,161,120	10,274,810	Pricing Model
Total	<u>\$ 33,657,745</u>	<u>\$ 34,514,762</u>	

Uncertainty of Fair Value Measurements

The significant unobservable inputs used in the determination of the fair value of assets classified as Level 3 have an inherent measurement uncertainty that if changed could result in higher or lower fair value measurements of these assets as of the reporting date.

Equity Securities at Fair Value

Fair market value for equity securities is derived based on unobservable inputs, such as projected normalized revenues and industry standard multiples of revenue for the equity securities valued using pricing model. Significant increases (decreases) in either of those inputs in isolation would result in a significantly higher (lower) fair value measurement.

Investments in Certain Entities Carried at Fair Value Using Net Asset Value per Share

Investment Category	Fair Value at December 31, 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common stocks				
Growth equity				
Redeemable	\$ 21,713,727	\$ 0	Quarterly	45 days
Non-redeemable	8,782,898	6,856,072	n/a	n/a
Total	<u>\$ 30,496,625</u>	<u>\$ 6,856,072</u>		
Investment Category	Fair Value at December 31, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common stocks				
Growth equity				
Redeemable	\$ 21,270,734	\$ 0	Quarterly	45 days
Non-redeemable	2,969,218	163,750	n/a	n/a
Total	<u>\$ 24,239,952</u>	<u>\$ 163,750</u>		

Fair Value Measurements on a Nonrecurring Basis

Certain assets are not carried at fair value on a recurring basis. Accordingly, such investments are only included in the fair value hierarchy disclosure when the investment is subject to re-measurement at fair value after initial recognition and the resulting re-measurement is reflected in the Consolidated Financial Statements. The Company did not recognize any re-measurements or impairments of financial instruments during the years ended December 31, 2020 and 2019.

Fair Value Information About Financial Instruments Not Measured at Fair Value

Certain assets are not carried at fair value on a recurring basis. Accordingly, such investments are only included in the fair value hierarchy disclosure when the investment is subject to re-measurement at fair value after initial recognition and the resulting re-measurement is reflected in the Consolidated Financial Statements.

The following table presents the carrying amount and estimated fair values of the Company's financial instruments not measured at fair value and indicates the level in the fair value hierarchy of the estimated fair value measurement based on the observability of the inputs used as of December 31:

	Carrying Amount	Estimated FairValue	Level 1	Level 2	Level 3
2020					
Common stock, at cost	\$ 5,860,000	\$ 5,860,000	\$ 0	\$ 0	\$ 5,860,000
Preferred stock, at cost	8,529,189	8,529,189	0	0	8,529,189
Mortgage loans on real estate	20,802,365	20,802,365	0	0	20,802,365
Investment real estate	38,086,391	82,689,332	0	0	82,689,332
Notes receivable	17,682,296	17,709,894	0	0	17,709,894
Policy loans	8,590,524	8,590,524	0	0	8,590,524
2019					
Common stock, at cost	\$ 7,875,145	\$ 7,875,145	\$ 0	\$ 0	\$ 7,875,145
Preferred stock, at cost	3,044,102	3,044,102	0	0	3,044,102
Mortgage loans on real estate	8,223,286	7,531,094	0	0	7,531,094
Investment real estate	44,344,236	88,483,424	0	0	88,483,424
Notes receivable	19,487,458	19,332,472	0	0	19,332,472
Policy loans	8,803,876	8,803,876	0	0	8,803,876

The above estimated fair value amounts have been determined based upon the following valuation methodologies. Considerable judgment was required to interpret market data in order 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 fair values of mortgage loans on real estate are estimated using discounted cash flow analyses and interest rates being offered for similar loans to borrowers with similar credit ratings. The inputs used to measure the fair value of our mortgage loans on real estate are classified as Level 3 within the fair value hierarchy.

A portion of the mortgage loans balance consists of discounted mortgage loans. The Company has historically purchased non-performing discounted mortgage loans at a deep discount through an auction process led by the Federal Government. In general, the discounted loans are non-performing and there is a significant amount of uncertainty surrounding the timing and amount of cash flows to be received by the Company. Accordingly, the Company records its investment in the discounted loans at its original purchase price, which Management believes approximates fair value. The inputs used to measure the fair value of our discounted mortgage loans are classified as Level 3 within the fair value hierarchy.

Investment real estate is recorded at the lower of the net investment in the real estate or the fair value of the real estate less costs to sell. The determination of fair value assessments are performed on a periodic, non-recurring basis by external appraisal and assessment of property values by Management. The inputs used to measure the fair value of our investment real estate are classified as Level 3 within the fair value hierarchy.

The fair values of notes receivable are estimated using discounted cash flow analyses and interest rates being offered for similar loans to borrowers with similar credit ratings. The inputs used to measure the fair value of the notes receivable are classified as Level 3 within the fair value hierarchy.

Policy loans are carried at the aggregate unpaid principal balances in the Condensed Consolidated Balance Sheets which approximate fair value, and earn interest at rates ranging from 4% to 8%. Individual policy liabilities in all cases equal or exceed outstanding policy loan balances. The inputs used to measure the fair value of our policy loans are classified as Level 3 within the fair value hierarchy.

Note 4 - Reinsurance

As is customary in the insurance industry, the insurance subsidiary cedes insurance to, and assumes insurance from, other insurance companies under reinsurance agreements. Reinsurance agreements are intended to limit a life insurer's maximum loss on a large or unusually hazardous risk or to obtain a greater diversification of risk. The ceding insurance company remains primarily liable with respect to ceded insurance should any reinsurer be unable to meet the obligations assumed by it. However, it is the practice of insurers to reduce their exposure to loss to the extent that they have been reinsured with other insurance companies. The Company sets a limit on the amount of insurance retained on the life of any one person. The Company will not retain more than \$125,000, including accidental death benefits, on any one life. At December 31, 2020, the Company had gross insurance in-force of \$1 billion of which approximately \$206 million was ceded to reinsurers. At December 31, 2019, the Company had gross insurance in-force of \$1.1 billion of which approximately \$214 million was ceded to reinsurers.

The Company's reinsured business is ceded to numerous reinsurers. The Company monitors the solvency of its reinsurers in seeking to minimize the risk of loss in the event of a failure by one of the parties. The Company is primarily liable to the insureds even if the reinsurers are unable to meet their obligations. The primary reinsurers of the Company are large, well-capitalized entities.

Most recently, UG utilized reinsurance agreements with Optimum Re Insurance Company ("Optimum"), and Swiss Re Life and Health America Incorporated ("SWISS RE"). Optimum and SWISS RE currently hold an "A" (Excellent) and "A+" (Superior) rating, respectively, from A.M. Best, an industry rating company. The reinsurance agreements were effective December 1, 1993, and covered most new business of UG. Under the terms of the agreements, UG cedes risk amounts above its retention limit of \$100,000 with a minimum cession of \$25,000. Ceded amounts are shared equally between the two reinsurers on a yearly renewable term ("YRT") basis, a common industry method. The treaty is self-administered; meaning the Company records the reinsurance results and reports them to the reinsurers.

Also, Optimum is the reinsurer of 100% of the accidental death benefits ("ADB") in force of UG. This coverage is renewable annually at the Company's option. Optimum specializes in reinsurance agreements with small to mid-size carriers such as UG.

UG entered into a coinsurance agreement with Park Avenue Life Insurance Company ("PALIC") effective September 30, 1996. Under the terms of the agreement, UG ceded to PALIC substantially all of its then in-force paid-up life insurance policies. Paid-up life insurance generally refers to non-premium paying life insurance policies. Under the terms of the agreement, UG sold 100% of the future results of this block of business to PALIC through a coinsurance agreement. UG continues to administer the business for PALIC and receives a servicing fee through a commission allowance based on the remaining in-force policies each month. PALIC has the right to assumption reinsure the business, at its option, and transfer the administration. The Company is not aware of any such plans. PALIC's ultimate parent, The Guardian Life Insurance Company of America ("Guardian"), currently holds an "A++" (Superior) rating from A.M. Best. The PALIC agreement accounts for approximately 64% of UG's reinsurance reserve credit, as of December 31, 2020 and 2019.

The Company does not have any short-duration reinsurance contracts. The effect of the Company's long-duration reinsurance contracts on premiums earned in 2020 and 2019 were as follows:

	2020 Premiums Earned	2019 Premiums Earned
Direct	\$ 9,256,992	\$ 9,601,259
Assumed	(47)	353
Ceded	(2,725,303)	(2,535,980)
Net Premiums	<u>\$ 6,531,642</u>	<u>\$ 7,065,632</u>

Note 5 – Cost of Insurance Acquired

When an insurance company is acquired, the Company assigns a portion of its cost to the right to receive future cash flows from insurance contracts existing at the date of the acquisition. The cost of policies purchased represents the actuarially determined present value of the projected future profits from the acquired policies. Cost of insurance acquired is amortized with interest in relation to expected future profits, including direct charge-offs for any excess of the unamortized asset over the projected future profits. The interest rates utilized may vary due to differences in the blocks of business. The interest rate utilized in the amortization calculation of the remaining cost of insurance acquired is 12%. The amortization is adjusted retrospectively when estimates of current or future gross profits to be realized from a group of products are revised.

	2020	2019
Cost of insurance acquired, beginning of year	\$ 4,846,321	\$ 5,622,227
Interest accretion	676,503	769,612
Amortization	(1,421,353)	(1,545,518)
Net amortization	<u>(744,850)</u>	<u>(775,906)</u>
Cost of insurance acquired, end of year	<u>\$ 4,101,471</u>	<u>\$ 4,846,321</u>

Estimated net amortization expense of cost of insurance acquired for the next five years is as follows:

	Interest Accretion	Amortization	Net Amortization
2021	587,120	1,302,090	714,970
2022	501,324	1,189,672	688,348
2023	418,722	1,079,979	661,257
2024	339,372	975,187	635,815
2025	263,074	877,240	614,166

Note 6 – Income Taxes

UTG and UG file separate federal income tax returns.

Income tax expense (benefit) consists of the following components:

	2020	2019
Current tax	\$ 2,476,599	\$ 1,698,995
Deferred tax	(2,136,105)	1,892,306
Income tax expense	<u>\$ 340,494</u>	<u>\$ 3,591,301</u>

The expense for income taxes differed from the amounts computed by applying the applicable United States statutory rate of 21% as of December 31, 2020 and 2019, before income taxes as a result of the following differences:

	2020	2019
Tax computed at statutory rate	\$ 536,982	\$ 4,239,316
Changes in taxes due to:		
Non-controlling interest	(26,871)	(68,280)
Dividend received deduction	(155,597)	(175,866)
Other	(14,020)	(403,869)
Income tax expense	<u>\$ 340,494</u>	<u>\$ 3,591,301</u>

The following table summarizes the major components that comprise the net deferred tax liability as reflected in the balance sheets:

	2020	2019
Investments	\$ 10,918,449	\$ 10,983,955
Cost of insurance acquired	861,309	1,017,727
Management/consulting fees	(8,832)	(9,147)
Future policy benefits	(511,297)	(460,923)
Deferred gain on sale of subsidiary	1,387,490	1,387,490
Other assets (liabilities)	364,797	197,876
Reserves adjustment	240,266	288,320
Federal tax DAC	(256,468)	(182,694)
Deferred tax liability	<u>\$ 12,995,714</u>	<u>\$ 13,222,604</u>

At December 31, 2020 and 2019, the Company had gross deferred tax assets of \$1,413,608 and \$1,359,230, respectively, and gross deferred tax liabilities of \$14,409,322 and \$14,581,834, respectively, resulting from temporary differences primarily related to the life insurance subsidiary. A valuation allowance is to be provided when it is more likely than not that deferred tax assets will not be realized by the Company. No valuation allowance has been recorded (except as noted below) relating to the Company's deferred tax assets since, in Management's judgment, the Company will more likely than not have sufficient taxable income in future periods to fully realize its existing deferred tax assets.

The Company's Federal income tax returns are periodically audited by the Internal Revenue Service ("IRS"). There are currently no examinations in process, nor is Management aware of any pending examination by the IRS. The Company follows the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board ("FASB") ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The Company has evaluated its tax positions, expiring statutes of limitations, changes in tax law and new authoritative rulings and believes that no disclosure relative to a provision of income taxes is necessary, at this time, to cover any uncertain tax positions. Tax years that remain subject to examination are the years ended December 31, 2017, 2018, 2019 and 2020.

The Company classifies interest and penalties on underpayment of income taxes as income tax expense. No interest or penalties were included in the reported income taxes for the years presented. The Company is not aware of any potential or proposed changes to any of its tax filings.

Note 7 – Credit Arrangements

At December 31, 2020 and 2019, the Company had the following lines of credit available:

Instrument	Issue Date	Maturity Date	Revolving Credit Limit	December 31, 2019	Borrowings	Repayments	December 31, 2020
Lines of Credit:							
UTG	11/20/2013	11/20/2021	\$ 8,000,000	\$ 0	0	0	\$ 0
UG	6/2/2015	5/7/2021	10,000,000	0	0	0	0

The UTG line of credit carries interest at a fixed rate of 3.750% and is payable monthly. As collateral, UTG has pledged 100% of the common voting stock of its wholly owned subsidiary, Universal Guaranty Life Insurance Company ("UG").

During May of 2020, the Federal Home Loan Bank approved UG's Cash Management Advance Application ("CMA"). The CMA gives the Company the option of selecting a variable rate of interest for up to 90 days or a fixed rate for a maximum of 30 days. The variable rate CMA is prepayable at any time without a fee, while the fixed CMA is not prepayable prior to maturity. The Company has pledged bonds with a collateral lendable value of \$12,482,563.

Note 8 – Commitments and Contingencies

The insurance industry has experienced a number of civil jury verdicts which have been returned against life and health insurers in the jurisdictions in which the Company does business involving the insurers' sales practices, alleged agent misconduct, failure to properly supervise agents, and other matters. Some of the lawsuits have resulted in the award of substantial judgments against the insurer, including material amounts of punitive damages. In some states, juries have substantial discretion in awarding punitive damages in these circumstances. In the normal course of business, the Company is involved from time to time in various legal actions and other state and federal proceedings. Management is of the opinion that the ultimate disposition of the matters will not have a materially adverse effect on the Company's results of operations or financial position.

Under the insurance guaranty fund laws in most states, insurance companies doing business in a participating state can be assessed up to prescribed limits for policyholder losses incurred by insolvent or failed insurance companies. Although the Company cannot predict the amount of any future assessments, most insurance guaranty fund laws currently provide that an assessment may be excused or deferred if it would threaten an insurer's financial strength. Mandatory assessments may be partially recovered through a reduction in future premium tax in some states. The Company does not believe such assessments will be materially different from amounts already provided for in the condensed consolidated financial statements, though the Company has no control over such assessments.

Within the Company's trading accounts, certain trading securities carried as liabilities represent securities sold short. A gain, limited to the price at which the security was sold short, or a loss, potentially unlimited in size, will be recognized upon the termination of the short sale.

The following table represents the total funding commitments and the unfunded commitment as of December 31, 2020 related to certain investments:

	Total Funding Commitment	Unfunded Commitment
RLF III, LLC	\$ 4,000,000	\$ 398,120
Sovereign's Capital, LP Fund I	500,000	13,000
Sovereign's Capital, LP Fund II	1,000,000	141,538
Sovereign's Capital, LP Fund III	3,000,000	1,847,486
Macritchie Storage II, LP	7,000,750	1,840,485
Garden City Companies, LLC	2,000,000	1,956,688
Carrizo Springs Music, LLC	3,750,000	2,055,068
Modern Distributors, Inc.	7,200,000	3,700,000
Legacy Venture X, LLC	3,000,000	2,910,000

During 2006, the Company committed to invest in RLF III, LLC ("RLF"), which makes land-based investments in undervalued assets. RLF makes capital calls as funds are needed for continued land purchases.

During 2012, the Company committed to invest in Sovereign's Capital, LP Fund I ("Sovereign's"), which invests in companies in emerging markets. Sovereign's makes capital calls to investors as funds are needed.

During 2015, the Company committed to invest in Sovereign's Capital, LP Fund II ("Sovereign's II"), which invests in companies in emerging markets. Sovereign's II makes capital calls to investors as funds are needed.

During 2018, the Company committed to invest in Sovereign's Capital, LP Fund III ("Sovereign's III"), which invests in companies in emerging markets. Sovereign's III makes capital calls to investors as funds are needed.

During 2018, the Company committed to fund a mortgage loan for Macritchie Storage II, LP ("Macritchie"). Macritchie makes draw requests on the loan as funds are needed to fund the construction project.

During 2020, the Company committed to invest in Garden City Companies, LLC ("Garden City"), which invests primarily in companies in the healthcare, inspection/testing services and maintenance service arena. Garden City makes capital calls to investors as funds are needed.

During 2020, the Company committed to invest in Carrizo Springs Music, LLC ("Carrizo"), which invests in music royalties. Carrizo makes capital calls to its investors as funds are needed to acquire the royalty rights.

During 2020, the Company committed to fund a collateral loan for Modern Distributors, Inc. ("Modern Distributors"). Modern Distributors makes draw requests on the loan as funds are needed to fund a construction project.

During 2020, the Company committed to invest in Legacy Venture X, LLC ("Legacy Venture X"), which is a fund of funds. Legacy Venture X makes capital calls to its investors as funds are needed.

Note 9 – Shareholders' Equity

Stock Repurchase Program – The Board of Directors of UTG has authorized the repurchase in the open market or in privately negotiated transactions of UTG's common stock. At a meeting of the Board of Directors in September of 2020, the Board of Directors of UTG authorized the repurchase of up to an additional \$1.5 million of UTG's common stock, for a total repurchase of \$20 million of UTG's common stock in the open market or in privately negotiated transactions. Company Management has broad authority to operate the program, including the discretion of whether to purchase shares and the ability to suspend or terminate the program. Open market purchases are made based on the last available market price but may be limited. During 2020, the Company repurchased 112,907 shares through the stock repurchase program for \$3,313,154. Through December 31, 2020, UTG has spent \$18,086,249 in the acquisition of 1,282,265 shares under this program.

During the third quarter of 2020, the Company purchased 88,341 shares from Cumberland Lake Shell, Inc at a price of \$29 per share for a total cost of \$2,561,889.

Director Compensation - Effective January 1, 2018, a compensation arrangement was approved whereby each outside Director annually received \$5,000 as a retainer and \$2,500 per meeting attended. All other provisions from the September 2013 arrangement remained the same. The compensation is be paid in the form of UTG, Inc. common stock. The value is determined annually on the close of business December 20th or the next business day should December 20th be a weekend or holiday, based on the activity of the year just ending. Reasonable travel expenses are reimbursed in cash as incurred. UTG's Director Compensation policy provides that Directors who are employees of UTG or its affiliates do not receive any compensation for their services as Directors except for reimbursement for reasonable travel expenses for attending each meeting.

In December of 2020, the Company issued 3,977 shares of its common stock as compensation to the Directors. The shares were valued at \$27.00 per share, the market value at the date of issue. During 2020, the Company recorded \$107,379 in operating expense related to the stock issuance. In December of 2019, the Company issued 3,024 shares of its common stock as compensation to the Directors. The shares were valued at \$35.50 per share, the market value at the date of issue. During 2019, the Company recorded \$107,352 in operating expense related to the stock issuance.

Other Compensation - During 2020, the Company issued 6,664 shares of stock to management and employees as compensation at a cost of \$218,289. During 2019, The Company issued 8,188 shares of stock to management and employees as compensation at a cost of \$246,535. These awards are determined at the discretion of the Board of Directors.

Earnings Per Share - The following is a reconciliation of basic and diluted weighted average shares outstanding used in the computation of basic and diluted earnings per share:

	2020	2019
Basic weighted average shares outstanding	3,233,773	3,285,813
Weighted average dilutive options outstanding	0	0
Diluted weighted average shares outstanding	3,233,773	3,285,813

The computation of diluted earnings per share is the same as basic earnings per share for the years ending December 31, 2020 and 2019, as there were no outstanding securities, options or other offers that give the right to receive or acquire common shares of UTG.

Statutory Restrictions – Restrictions exist on the flow of funds to UTG from its insurance subsidiary. Statutory regulations require life insurance subsidiaries to maintain certain minimum amounts of capital and surplus. UG is required to maintain minimum statutory surplus of \$2,500,000. At December 31, 2020, substantially all of the consolidated shareholders' equity represents net assets of UTG's subsidiaries.

UG is domiciled in the state of Ohio. Ohio requires notification within 5 business days to the insurance commissioner following the declaration of any ordinary dividend and at least ten calendar days prior to payment of such dividend. Ordinary dividends are defined as the greater of: a) prior year statutory net income or b) 10% of statutory capital and surplus. Extraordinary dividends (amounts in excess of ordinary dividend limitations) require prior approval of the insurance commissioner and are not restricted to a specific calculation. UG paid ordinary dividends of \$4 million and \$6 million to UTG in 2020 and 2019, respectively. No extraordinary dividends were paid during the two year period. UTG used the dividends received during 2020 and 2019 to purchase outstanding shares of UTG stock and for general operations of the Company.

Note 10 - Statutory Accounting

The insurance subsidiary prepares its statutory-based financial statements in accordance with accounting practices prescribed or permitted by the Ohio Department of Insurance. These principles differ significantly from accounting principles generally accepted in the United States of America. "Prescribed" statutory accounting practices include state laws, regulations, and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners (NAIC). "Permitted" statutory accounting practices encompass all accounting practices that are not prescribed; such practices may differ from state to state, from company to company within a state, and may change in the future.

The following table reflects UG's statutory basis net income and capital and surplus (shareholders' equity) as of December 31:

	2020	2019
Net income	\$6,258,945	\$8,268,187
Capital and surplus	70,605,156	65,951,037

Note 11 – Related Party Transactions

The articles of incorporation of UG contain the following language under item 12 relative to related party transactions:

A director shall not be disqualified from-dealing with or contracting with the corporation as vendor, purchaser; employee, agent or otherwise; nor, in the absence of fraud, shall any transaction or contract or act of this corporation be void or in any way affected or invalidated by the fact that any director or any firm of which any director is a member or any corporation of which any director is a shareholder, director or officer is in any way interested in such transaction or contract or act, provided the fact that such director or such firm or such corporation so interested shall be disclosed or shall be known to the Board of Directors or such members thereof as shall be present at any meeting of the Board of Directors at which action upon any such contract or transaction or act shall be taken; nor shall any such director be accountable, or responsible to the company for or in respect to such transaction or contract or act of, this corporation or for any gains or profits realized by him by reason of the fact that he or any firm of which he is a member or any corporation of which he is a shareholder, director or officer is interested in such action or contract; and any such director may be counted in determining the existence of a quorum of any meeting of the Board of Directors of the company which shall authorize or take action in

respect to any such contract or transaction or act and may vote thereat to authorize, ratify, or approve any such contract or transaction or act, with like force and effect as if he or any firm of which he is a member or any corporation of which he is a shareholder, director or officer were not interested in such transaction or contract or act.

On February 20, 2003, UG purchased \$4 million of a trust preferred security offering issued by First Southern Bancorp, Inc. ("FSBI"). The security has a mandatory redemption after 30 years with a call provision after 5 years. The security pays a quarterly dividend at a fixed rate of 6.515%. The Company received dividends of \$165,590 and \$198,297 during 2020 and 2019, respectively.

On March 30, 2009, UG purchased \$1 million of FSBI common stock. The sale and transfer of this security is restricted by the provisions of a stock restriction and buy-sell agreement. During 2020, the Company received a preferred pay down of \$502,000 leaving a cost basis of \$2,500,000.

UTG has a 30.10% ownership interest in an aircraft that is jointly owned with First Southern National Bank and Bandyco, LLC. Bandyco, LLC is affiliated with the Estate of Ward F. Correll. Mr. Correll is the father of Jesse Correll and a former director of the Company. The aircraft is used for business related travel by various officers and employees of the Company. For years 2020 and 2019, UTG paid \$298,058 and \$354,404 for costs associated with the aircraft, respectively.

Effective January 1, 2007, UTG entered into administrative services and cost sharing agreements with its subsidiary. Under this arrangement, the subsidiary pays its proportionate share of expenses, based on an allocation formula. During 2020 and 2019, UG paid \$7,262,645 and \$7,397,953, respectively, in expenses. The Ohio Department of Insurance has approved the cost sharing agreement and it is Management's opinion that where applicable, costs have been allocated fairly and such allocations are based upon accounting principles generally accepted in the United States of America.

The Company from time to time acquires mortgage loans through participation agreements with FSNB. FSNB services the Company's mortgage loans including those covered by the participation agreements. The Company pays a .25% servicing fee on these loans and a one-time fee at loan origination of .50% of the original loan cost to cover costs incurred by FSNB relating to the processing and establishment of the loan. The Company paid \$23,721 and \$15,138 in servicing fees and \$35,240 and \$0 in origination fees to FSNB during 2020 and 2019, respectively.

Effective January 1, 2017, UTG entered into a shared services contract with FSNB. Pursuant to the terms of the agreement, UTG and FSNB will utilize the services of the other's staff in certain instances for the betterment of both entities. Personnel within departments, such as accounting, human resources, and information technology, are shared between the entities. Costs of these resources are then reimbursed between the companies. The shared services arrangement provides benefits to both parties such as access to a greater pool of knowledgeable staff, efficiencies from elimination of redundancies and more streamlined operations.

The Company reimbursed expenses incurred by employees of FSNB relating to salaries, travel and other costs incurred on behalf of or relating to the Company and received reimbursements from FSNB. The Company paid \$766,616 and \$842,045 in 2020 and 2019, respectively to FSNB in net reimbursement of such costs.

Effective July 1, 2018, the Company assumed the employees of several smaller entities associated with UTG. The purpose of this was to support the continued efforts to further streamline operations amongst associated entities. The salaries, benefits, and payroll related processing fees are 100% reimbursed by the associated entities on a monthly basis. During 2020 and 2019, the Company received reimbursements of \$838,431 and \$922,357, respectively.

The Company rents approximately 8,000 square feet of office space, located in Stanford, Kentucky, from FSNB and pays \$2,000 per month in rent. The Company paid rent of \$24,000 to FSNB during 2020 and 2019.

As previously disclosed in the Notes Receivable section of Note 2 - Investments, several of the Company's notes have participation agreements in place with third parties. Certain participation agreements are with FSF, a related party. The participation agreements are sold without recourse and assigned to the participant based on their pro-rata share of the principal, interest and collateral as specified in the participation agreements. The undivided participations in the notes receivable range from 20% - 50%. The total amount of loans participated to FSF was \$216,160 and \$250,000 as of December 31, 2020 and 2019, respectively.

During 2020, UG purchased four real estate parcels from FSNB at a cost of \$1,560,000. Also, during 2020, UG purchased UG-Cam, LLC from FSF at a cost of \$539,508. At the time of purchase, UG-Cam, LLC owned four properties.

Note 12 – Other Cash Flow Disclosures

On a cash basis, the Company paid the following expenses for the periods ended December 31:

	2020	2019
Interest	\$ 0	\$ 0
Federal income tax	2,531,500	1,106,000

Note 13 - Concentrations

The Company maintains cash balances in financial institutions that at times may exceed federally insured limits. The Company maintains its primary operating cash accounts with First Southern National Bank, an affiliate of the largest shareholder of UTG, Mr. Jesse T. Correll, the Company's CEO and Chairman. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Because UTG serves primarily individuals located in four states, the ability of our customers to pay their insurance premiums is impacted by the economic conditions in these areas. As of December 31, 2020 and 2019, approximately 56% of the Company's total direct premium was collected from Illinois, Ohio, Texas and West Virginia. Thus, results of operations are heavily dependent upon the strength of these economies.

The Company reinsures that portion of insurance risk which is in excess of its retention limits. Retention limits range up to \$125,000 per life. Life insurance ceded represented 20% of total life insurance in force at December 31, 2020 and 2019, respectively. Insurance ceded represented 37% and 33% of premium income for 2020 and 2019, respectively. The Company would be liable for the reinsured risks ceded to other companies to the extent that such reinsuring companies are unable to meet their obligations.

The Company owns a variety of investments associated with the oil and gas industry. These investments represented approximately 20% and 25% of the Company's total invested assets at December 31, 2020 and 2019, respectively. The following table provides an allocation of the oil and gas investments by type as of December 31:

	Land, Minerals & Royalty Interests			
2020	Royalty Interests	Transportation	Exploration	Total
Fixed maturities, at fair value	\$ 0	\$ 0	\$ 1,268,670	\$ 1,268,670
Equity securities, at fair value	41,551,468	0	0	41,551,468
Investment real estate	20,031,576	0	0	20,031,576
Notes receivable	6,000,000	0	0	6,000,000
Total	\$ 67,583,044	\$ 0	\$ 1,268,670	\$ 68,851,714
	Land, Minerals & Royalty Interests			
2019	Royalty Interests	Transportation	Exploration	Total
Fixed maturities, at fair value	\$ 0	\$ 3,812,565	\$ 2,824,810	\$ 6,637,375
Equity securities, at fair value	48,585,959	0	0	48,585,959
Investment real estate	21,094,898	0	0	21,094,898
Notes receivable	7,000,000	0	0	7,000,000
Total	\$ 76,680,857	\$ 3,812,565	\$ 2,824,810	\$ 83,318,232

As of December 31, 2020 and 2019, the Company owned two equity securities that represented approximately 47% and 49%, respectively, of the total investments associated with the oil and gas industry.

The Company's results of operations and financial condition have in the past been, and may in the future be, adversely affected by the degree of certain industry specific concentrations in the Company's investment portfolio. The Company has significant exposure to investments associated with the oil and gas industry. Events or developments that have a negative effect on the oil and gas industry may adversely affect the valuation of our investments in this specific industry. The Company's ability to sell its investments associated with the oil and gas industry may be limited.

Note 14 – Selected Quarterly Financial Data

As a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act and Item 10(f)(1) of Regulation S-K, the Company has elected to comply with certain scaled disclosure reporting obligations, and therefore does not have to provide the information required by this item.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) that are designed to ensure that the information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in our Exchange Act reports is accumulated and communicated to Management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our Management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2020 and, based on this evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Controls Over Financial Reporting

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making the assessment, Management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013). Based on Management's assessment, Management concluded that, as of December 31, 2020, the Company's internal control over financial reporting was effective.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only Management's report in this Annual Report.

Changes in Internal Controls

There have been no changes in the Company's internal control over financial reporting since December 31, 2020, in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13a-15(e) and 15d-15(e), that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company's process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures and the remediation of any deficiencies, which may be identified during this process.

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The Board of Directors

In accordance with the laws of Delaware and the Certificate of Incorporation and Bylaws of UTG, as amended, UTG is managed by its executive officers under the direction of the Board of Directors. The Board elects executive officers, evaluates their performance, works with management in establishing business objectives and considers other fundamental corporate matters, such as the issuance of stock or other securities, the purchase or sale of a business and other significant corporate business transactions. In the fiscal year ended December 31, 2020, the Board met four times. During 2020, all Directors attended at least 75% of all meetings of the Board and meetings of committees of the Board. Our Board of Directors does not have a policy requiring directors to attend annual meetings of shareholders. All Board members attended our 2020 annual shareholders' meeting, except Thomas Harmon.

The Board of Directors has an Audit Committee consisting of Messrs. Molnar, Harmon, and Cortines. Our Board has determined that each of the members of the Audit Committee meets the criteria for independence under the NASDAQ listing standards. The Audit Committee performs such duties as outlined in the Company's Audit Committee Charter. The Audit Committee reviews and acts or reports to the Board with respect to various auditing and accounting matters, the scope of the audit procedures and the results thereof, internal accounting and control systems of UTG, the nature of services performed for UTG and the fees to be paid to the independent auditors, the performance of UTG's independent and internal auditors and the accounting practices of UTG. The Audit Committee also recommends to the full Board of Directors the auditors to be appointed by the Board. The Audit Committee met four times in 2020.

The Board has reviewed the qualifications of each member of the audit committee and determined one member of the committee, Gabriel Molnar, meet the definition of an "audit committee financial expert" as defined in Item 407 of Regulation S-K.

The Board of Directors has a Compensation Committee consisting of Messrs. Darden, Dayton and Ochs. Our Board has determined that each of the members of the Compensation Committee meets the criteria for independence under the NASDAQ listing standards. The Compensation Committee performs such duties as outlined in the Company's Compensation Committee Charter. The Compensation Committee reviews and acts or reports to the Board with respect to various compensation matters relative to the Company's executive officers. The Compensation Committee has the authority to delegate appropriate matters to subcommittees as the Committee may determine in its discretion. The Compensation Committee met one time in 2020.

Under UTG's By-Laws, the Board of Directors should be comprised of at least six and no more than eleven Directors. At December 31, 2020, the Board consisted of ten Directors. Shareholders elect Directors to serve for a period of one year at UTG's annual shareholders' meeting.

The Board of Directors does not have a formal nominating committee, or a committee that performs similar functions, and does not have a nominating committee charter. The Board has concluded that the nominating process should not be limited to certain members so that a comprehensive selection of candidates can be considered. Therefore, the nomination process is conducted by the full Board of Directors. The Board of Directors has not adopted a formal policy with regard to the consideration of Director candidates recommended by shareholders. Candidates for nomination have been recommended by an executive officer or director, and considered by the Board of Directors. Generally, candidates have been persons who have been known to one or more of our Board members. The Board of Directors will, however, consider nominees recommended by shareholders. Shareholders wishing to recommend candidates for Board membership must submit the recommendations in writing to the Secretary of the Company at least 90 days prior to a date corresponding to the previous year's Annual Meeting, with the submitting shareholder's name and address and pertinent information about the proposed nominee similar to that set forth for directors named herein. The Board does not evaluate potential nominees for director differently based on whether they are recommended by a shareholder.

The Board of Directors has not adopted specific minimum qualifications that it believes must be met by a person it recommends for nomination as a director. Proposed nominees will be considered in light of their potential contributions to the Board, their backgrounds, their independence and such other factors as the Board considers appropriate. We do not have a specific policy relating to the consideration of diversity in identifying director candidates. However, the Board of Directors does consider the diversity of our Board when identifying director candidates. The amount of consideration given to diversity varies with the Boards' determination of whether we would benefit from expanding the Board's diversity in a particular area. We believe this policy has been effective in identifying candidates with the diverse business experience necessary to lead our Company.

Our directors have demonstrated significant achievement and generally have significant management experience in one or more fields of business, professional, governmental, community or academic endeavors. Our directors have sound judgement as a result of their management or policy making experience and demonstrate an ability to function effectively in an oversight role. Given the tenure of most of the directors on our Board, they have a general appreciation regarding major issues facing the Company. These experiences make each of our directors well qualified to be a member of the Company's Board of Directors.

The Board of Directors has provided a process for shareholders to send communications directly to the Board. These communications can be sent to James Rousey, President and Director of UTG, at the corporate headquarters at 205 North Depot Street, Stanford, Kentucky 40484.

Our Board of Directors is led by Jesse Correll, our Chairman of the Board and Chief Executive Officer. The decision as to who should serve as Chairman of the Board, and who should serve as Chief Executive Officer, and whether those offices should be combined or separate, is properly the responsibility of our Board of Directors. The Board of Directors believes that the most effective leadership structure for us at this time is for Mr. Correll to serve as both Chairman of the Board and Chief Executive Officer. Our Board does not have a lead independent director and does not believe that designating a lead independent director would be necessary or helpful at this time.

Our Board of Directors oversees our risk management in cooperation with management. The Board and management regularly assess and communicate regarding risks confronting the Company, including transaction specific risks, macroeconomic trends, industry developments, and risk factors unique to our business. The members of the Audit Committee also discuss various financial reporting and accounting risk factors with our independent audit firm.

Section 16(a) Beneficial Ownership Reporting Compliance

Directors and officers of UTG file periodic reports regarding ownership of Company securities with the Securities and Exchange Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934 as amended, and the rules promulgated there under. UTG is not aware of any individuals who filed late with the Securities and Exchange Commission during 2020. SEC filings may be viewed from the Company's Web site www.utgins.com.

Audit Committee Report to Shareholders

In connection with the December 31, 2020 financial statements, the audit committee: (1) reviewed and discussed the audited financial statements with Management; (2) discussed with the independent auditors the matters required by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended, (AICPA, *Professional Standards*, Vol. 1 AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and (3) received the written disclosures and the letter from its independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the audit committee concerning independence, and has discussed with the independent auditors their independence. Based upon these reviews and discussions, the audit committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K filed with the SEC for the last fiscal year.

Members of the Company's Audit Committee:

Gabriel J. Molnar	Committee Chairman
Thomas E. Harmon	
John M. Cortines	

The following information with respect to business experience of the Board of Directors has been furnished by the respective Directors or obtained from the records of UTG.

Name, Age	Position with the Company, Business Experience and Other Directorships
April R. Chapman, 55	Mrs. Chapman worked in the tech industry for 20 years, including a tenure at Microsoft, managing teams responsible for consumer Internet sites and orchestrating key partnerships. Prior to Microsoft, she developed groundbreaking software products in areas such as remotely piloted aircraft and manufacturing control systems and taught nationally on software technologies. April left Microsoft to start a consulting firm to advise non-profits on Internet strategy. She is now working with Christian-led organizations to help maximize their economic, social, and spiritual impact. Mrs. Chapman holds an Oxford Diploma in Strategy & Innovation and a BS in Computer Science from UC, Irvine. She currently serves on several boards, including National Christian Foundation Northwest, Impact Foundation, Generous Giving, Praxis, and Solomons Fund.
Jesse T. Correll, 64	Chairman of UTG and Universal Guaranty Life Insurance Company since 2000; Director of UTG since 1999; Chairman of First Southern Bancorp, Inc. since 1988; CEO of First Southern Bancorp, Inc. from 1988-2015; Manager and President of First Southern Funding, LLC since 1992; President, Director of The River Foundation since 1990; Board member of Crown Financial Ministries from 2004 to 2009; Friends of the Good Samaritans since 2005; Generous Giving from 2006 to 2009; the National Christian Foundation since 2006; Centre Board of Trustees since 2015; and Cumberland Lake Shell, Inc. since 2017.
Preston H. Correll, 40	Founder of Marksburg Farm Market based in Bryantsville, Kentucky. He also owns and operates St. Asaph Farm in Stanford, Kentucky and focuses on sustainable farming and raising natural meat. He spent a year and a half in India working with the Good Samaritans ministry and now serves on the board of the Friends of the Good Samaritans. Director of UTG, Inc. since December 2018.
John M. Cortines, 32	Mr. Cortines serves as the Director of Generosity at the Maclellan Foundation. He is the co-author of two books on money, faith, and generosity. Prior to entering the nonprofit sector, he worked in the oil and gas industry as an engineer for Chevron Corporation. Mr. Cortines is a graduate of Harvard Business School (MBA), King Abdullah University of Science and Technology (MS), and Texas A&M University (BS). Director of UTG, Inc. since December 2018.
Thomas F Darden, II, 66	Mr. Darden is the Founder and Chief Executive Officer of Cherokee, an investment company that invests in both private equity and venture capital. Beginning in 1984, Mr. Darden served for 16 years as the Chairman of Cherokee Sanford Group, a brick manufacturing and soil remediation company. From 1981 to 1983, he was a consultant with Bain & Company in Boston. From 1977 to 1978, he worked as an environmental planner for the Korea Institute of Science and Technology in Seoul, where he was a Henry Luce Foundation Scholar. Mr. Darden is on the Boards of Shaw University, the Institute for The Environment at the University of North Carolina and the Board of Governors of the Research Triangle Institute. Mr. Darden earned a Masters in Regional Planning from the University of North Carolina, a Juris Doctor from Yale Law School and a Bachelor of Arts from the University of North Carolina, where he was a Morehead Scholar.
Howard L. Dayton, Jr., 77	In 1985, Mr. Dayton founded Crown Ministries in Longwood, Florida. Crown Ministries merged with Christian Financial Concepts in September 2000 to form Crown Financial Ministries, the world's largest financial ministry. He served as Chief Executive Officer from 1985 to 2007 and in 2009 founded Compass - Finances God's Way. Mr. Dayton is a graduate of Cornell University. He developed The Caboose, a successful railroad-themed restaurant in Orlando, FL in 1969. In 1972 he began his commercial real estate development career, specializing in office development in the Central Florida area. He has authored five popular small group studies, produced several video series, and was the host for the nationally syndicated radio programs <i>MoneyWise</i> and <i>HeyHoward</i> . Asbury University named their business school the Howard Dayton School of Business. Mr. Dayton became a Director of UTG, Inc. in December 2005.
Thomas E. Harmon, 66	Director of UTG and Universal Guaranty Life Insurance Company since March 2016. Mr. Harmon is the owner and President of Harmon Foods, Inc., a chain of retail supermarkets, for the past 40 years. Mr. Harmon has been active in many charitable organizations over the years, most recently serving as a Board Member with Amigos En Cristo Ministries, an organization serving one of the most disadvantaged parts of the world – Juarez, Mexico.
Gabriel J. Molnar, 34	Mr. Molnar is the Chief Financial Officer at Capstone Realty Inc., a commercial real estate development company in Louisville, Kentucky. Mr. Molnar is a licensed CPA and real estate salesman in Kentucky. Prior to Capstone, Mr. Molnar worked as a Financial Analyst with Procter & Gamble and as a public company auditor and healthcare consultant with PricewaterhouseCoopers. Mr. Molnar received a MBA from the Owen Graduate School of Management at Vanderbilt University and is also a graduate of Asbury University in Wilmore, Kentucky.
Peter L. Ochs, 69	Mr. Ochs is founder of Capital III, a private equity investment firm located in Wichita, Kansas. Capital III provides impact investment capital and management with investments in manufacturing, real estate, energy, and education with a geographical focus on the US and Latin America. Prior to founding Capital III, Mr. Ochs spent 8 years in the commercial banking industry. Mr. Ochs graduated from the University of Kansas with a degree in business and finance. He currently serves on the boards of UTG, Inc., the American Independence Funds, and Trinity Academy.

President of UTG and Universal Guaranty Life Insurance Company since September 2006; Director of UTG and Universal Guaranty Life Insurance Company since September 2001; Chief Executive Officer of First Southern Bancorp, Inc. since 2016; Chair of ACLI Forum 500 from 2015-2016; Member of Board of Governors of ACLI from 2014 to 2017; Regional CEO and Director of First Southern National Bank from 1988 to 2001. Board Member with the Illinois Fellowship of Christian Athletes from 2001-2005; Board Member with Contact Ministries from 2007-2011; Board Member with Amigos En Cristo, Inc. from 2007-2009; Advisory Board Member with Natalie's Sister since 2018; Board Member with Hustonville Cemetery since 2019; Serge Board Member since 2019.

Executive Officers of UTG

More detailed information on the following executive officers of UTG appears under "Directors":

Jesse T. Correll	Chairman of the Board and Chief Executive Officer
James P. Rousey	President

Other executive officers of UTG are set forth below:

Name, Age	Position with UTG and Business Experience
Theodore C. Miller, 58	Corporate Secretary of UTG, Inc. and Universal Guaranty Life Insurance Company since December 2000; Senior Vice President and Chief Financial Officer since July 1997; Vice President since October 1992 and Treasurer from October 1992 to December 2003; Vice President and Controller of certain affiliated companies from 1984 to 1992; Vice President and Treasurer of certain affiliated companies from 1992 to 1997; Senior Vice President and Chief Financial Officer of subsidiary companies since 1997; Corporate Secretary of subsidiary companies since 2000; and Chief Financial Officer and Corporate Secretary of First Southern Bancorp, Inc. and First Southern National Bank since 2016.
Douglas P. Ditto, 65	Vice President of UTG, Inc. and Universal Guaranty Life Insurance Company since June 2009; Chief Investment Officer from 2009 to 2012; Assistant Vice President from June 2003 to June 2009; Executive Vice President of First Southern Bancorp, Inc. since March 1985.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics for our Directors, officers (including our Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer or Controller, and persons performing similar function) and employees. The Code of Business Conduct and Ethics is available to our shareholders by requesting a free copy of the Code of Business Conduct and Ethics by writing to us at UTG, Inc., 205 North Depot Street, Stanford, Kentucky 40484.

Item 11. Executive Compensation

Executive Compensation Table

The following table sets forth certain information regarding compensation paid to or earned by UTG's Chief Executive Officer, and each of UTG's two most highly compensated executive officers whose salary plus bonus exceeded \$100,000 during UTG's last fiscal year:

Name and Principal position	Year	Salary	Bonus	Stock Awards (1)	All Other Compensation (2)	Total
Jesse T. Correll Chief Executive Officer	2020	\$ 180,000	\$ 100,000	\$ 0	\$ 6,856	\$ 286,856
	2019	180,000	90,000	0	7,194	277,194
James P. Rousey President	2020	100,000	124,996	25,004	3,850	253,850
	2019	100,000	90,000	35,000	3,666	228,666
Douglas P. Ditto Vice President	2020	142,500	9	149,991	5,494	297,994
	2019	142,500	0	125,000	5,694	273,194

(1) Stock awards in the form of an annual bonus of 5,263 and 5,313 shares were issued in 2020 and 2019, respectively.

(2) All Other Compensation consists of matching contributions to an Employee Savings Trust 401(k) Plan

Outstanding Equity Awards at Fiscal Year End

As of December 31, 2020, there were no unexercised options, stock that has not vested or equity incentive plan awards outstanding for any of the above named executive officers.

Compensation of Directors

Effective January 1, 2018 a new compensation arrangement was approved whereby each outside Director annually received \$5,000 as a retainer and \$2,500 per meeting attended. The compensation, however, is paid in UTG Common Stock. The value is determined annually on the close of business December 20th or the next business day should December 20th be a weekend or holiday, based on the activity of the year just ending. Reasonable travel expenses are reimbursed in cash as incurred. UTG's Director Compensation policy provides that Directors who are employees of UTG or its affiliates do not receive any compensation for their services as Directors except for reimbursement for reasonable travel expenses for attending each meeting. The following table reflects compensation paid to all Directors who served in 2020.

Name	Fees Earned or Paid in Cash	Stock Awards (1)	All Other Compensation (2)	Total
Jesse T. Correll, Chief Executive Officer	\$ 0	\$ 0	\$ 0	\$ 0
James P. Rousey, President	0	0	0	0
April R. Chapman, Director (3)	0	5,000	0	5,000
Preston H. Correll, Director	0	15,000	5,000	20,000
John M. Cortines, Director	0	15,000	0	15,000
Thomas F. Darden, II, Director	0	15,000	0	15,000
Howard L. Dayton, Director	0	15,000	5,000	20,000
Thomas E. Harmon, Director	0	12,500	0	12,500
Gabriel J. Molnar, Director	0	15,000	0	15,000
Peter L. Ochs, Director	0	12,500	0	12,500

(1) Market value of stock on earned date was \$27.00 per share.

(2) Other Compensation represents payment for consulting services performed relative to management enrichment.

(3) Mrs. Chapman joined the Board in December of 2020.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Principal Holders of Securities

The following tabulation sets forth the name and address of the entity known to be the beneficial owners of more than 5% of UTG's Common Stock and shows: (i) the total number of shares of Common Stock beneficially owned by such person as of February 2, 2021 and the nature of such ownership; and (ii) the percent of the issued and outstanding shares of Common Stock so owned as of the same date.

Title of Class	Name and Address of Beneficial Owner (2)	Amount and Nature of Beneficial Ownership	Percent Of Class (1)
Common Stock, no par value	Jesse T. Correll	127,572 (3)(5)	4.0%
	First Southern Bancorp, Inc.	1,406,785 (3)(4)(5)	44.3%
	First Southern Funding, LLC	400,000 (3)(4)(5)(6)	12.6%
	First Southern Holdings, LLC	1,201,876 (3)(4)(5)	37.9%
	WCorrell, Limited Partnership	72,750 (3)(5)	2.3%
	Cumberland Lake Shell, Inc.	128,750 (5)	4.1%

(1) The percentage of shares owned is based on 3,174,936 shares of Common Stock outstanding as of February 2, 2021.

(2) The address for each of Jesse Correll, First Southern Bancorp, Inc. ("FSBI"), First Southern Funding, LLC ("FSF"), First Southern Holdings, LLC ("FSH"), and WCorrell, Limited Partnership ("WCorrell LP"), is 205 North Depot Street, Stanford, Kentucky 40484. The address for Cumberland Lake Shell, Inc. ("CLS") is P.O. Box 430, 150 Railroad Drive, Somerset, Kentucky 42502.

(3) The share ownership of Jesse Correll listed includes 54,822 shares of Common Stock owned by him individually. The share ownership of Mr. Correll also includes 72,750 shares of Common Stock held by WCorrell, Limited Partnership, a limited partnership in which Jesse Correll serves as managing general partner and as such, has sole voting and dispositive power over the shares held by the entity. In addition, by virtue of his ownership of voting securities of FSF and FSBI, and in turn, their ownership of 100% of the outstanding membership interests of FSH (the holder of 1,201,876 shares of Common Stock), Mr. Correll may be deemed to beneficially own the total number of shares of Common Stock owned by FSH, and may be deemed to share with FSH the right to vote and to dispose of such shares. Mr. Correll owns approximately 74% of the outstanding membership interests of FSF. Additionally, Mr. Correll owns directly approximately 45%, companies he controls own approximately 15%, and he has the power to vote but does not own an additional 2% of the outstanding voting stock of FSBI. FSBI and FSF in turn own 99% and 1%, respectively, of the outstanding membership interests of FSH.

(4) The share ownership of FSBI consists of 204,909 shares of Common Stock held by FSBI directly and 1,201,876 shares of Common Stock held by FSH of which FSBI is a 99% member and FSF is a 1% member. As a result, FSBI may be deemed to share the voting and dispositive power over the shares held by FSH.

(5) According to the Schedule 13D, as amended, filed August 27, 2020, Jesse Correll, FSBI, FSF and FSH, have agreed in principle to act together for the purpose of acquiring or holding equity securities of UTG. In addition, because of their relationship with these Reporting Persons, Cumberland Lake Shell, Inc. and WCorrell Limited Partnership may also be deemed to be members of this group. Therefore, each may be deemed to have acquired beneficial ownership of the equity securities of UTG beneficially owned by each of the Reporting Persons.

(6) Includes 4,035 shares in street name.

Security Ownership of Management of UTG

The following tabulation shows with respect to each of the Directors of UTG, UTG's Chief Executive Officer and each of UTG's two most highly compensated executive officers whose salary plus bonus exceeded \$100,000 for fiscal 2019, and with respect to all executive officers and Directors of UTG as a group: (i) the total number of shares of Common Stock beneficially owned by such person as of February 2, 2021 and the nature of such ownership; and (ii) the percent of the issued and outstanding shares of stock so owned as of the same date.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (1)
UTG's Common Stock, no Par value	April R. Chapman	Redmond, WA	185 *
	Jesse T. Correll	Stanford, KY	2,063,107 (2) 64.9%
	Preston H. Correll	Stanford, KY	1,130 *
	John M. Cortines	Oviedo, FL	3,268 (3) *
	Thomas F. Darden, II	Raleigh, NC	61,749 1.9%
	Howard L. Dayton, Jr.	Sanford, FL	9,448 (4) *
	Douglas P. Ditto	Danville, KY	32,396 (5) 1.0%
	Thomas E. Harmon	Springfield, IL	2,294 *
	Theodore C. Miller	Stanford, KY	12,292 *
	Gabriel J. Molnar	Louisville, KY	1,718 *
	Peter L. Ochs	Valley Center, KS	6,452 (6) *
	James P. Rousey	Hustonville, KY	11,267 (7) *
	All Directors and executive officers as a group (eleven in number)	2,205,306	69.5%

* Less than 1%

(1) The percentage of outstanding shares for UTG is based on 3,174,936 shares of Common Stock outstanding as of February 2, 2021.

(2) The share ownership of Mr. Jesse Correll includes 54,822 shares of Common Stock owned by him individually, 204,909 shares of Common Stock held by FSBI and 400,000 shares of Common Stock owned by FSF. The share ownership of Mr. Correll also includes 72,750 shares of Common Stock held by WCorrell, Limited Partnership, a limited partnership in which Mr. Correll serves as managing general partner. Mr. Correll has sole voting and dispositive power over the shares held by these entities. In addition, by virtue of his ownership of voting securities of FSF and FSBI, and in turn, their ownership of 100% of the outstanding membership interests of FSH (the holder of 1,201,876 shares of Common Stock), Mr. Correll may be deemed to beneficially own the total number of shares of Common Stock owned by FSH, and may be deemed to share with FSH the right to vote and to dispose of such shares. Mr. Correll owns approximately 74% of the outstanding membership interests of FSF. Additionally, Mr. Correll owns directly approximately 45%, companies he controls own approximately 15%, and he has the power to vote but does not own an additional 2% of the outstanding voting stock of FSBI. FSBI and FSF in turn own 99% and 1%, respectively, of the outstanding membership interests of FSH.

(3) Includes 848 shares held in spouse's IRA and 1,290 shares held in street name.

(4) Includes 473 shares held in street name.

(5) Includes 1,600 shares held in a retirement account and 800 shares in street name.

(6) Includes 2,000 shares held in a trust for benefit of named individual.

(7) Includes 2,077 shares held in street name.

Except as indicated above, the foregoing persons hold sole voting and investment power.

Item 13. Certain Relationships and Related Transactions and Director Independence

The Board of Directors determined that eight of the ten current Directors are "independent" as defined by Rule 5605 of the NASDAQ listing standards. The independent Directors are April R. Chapman, Preston H. Correll, John M. Cortines, Thomas F. Darden, Howard L. Dayton, Jr., Thomas E. Harmon, Gabriel J. Molnar, and Peter L. Ochs.

The articles of incorporation of UG contain the following language under item 12 relative to related party transactions:

A director shall not be disqualified from-dealing with or contracting with the corporation as vendor, purchaser; employee, agent or otherwise; nor, in the absence of fraud, shall any transaction or contract or act of this corporation be void or in any way affected or invalidated by the fact that any director or any firm of which any director is a member or any corporation of which any director is a shareholder, director or officer is in any way interested in such transaction or contract or act, provided the fact that such director or such firm or such corporation so interested shall be disclosed or shall be known to the Board of Directors or such members thereof as shall be present at any meeting of the Board of Directors at which action upon any such contract or transaction or act shall be taken: nor shall any such director be accountable or responsible to the company for or in respect to such transaction or contract or act of this corporation or for any gains or profits realized by him by reason of the fact that he or any firm of which he is a member or any corporation of which he is a shareholder, director or officer is interested in such action or contract; and any such director may be counted in determining the existence of a quorum of any meeting of the Board of Directors of the company which shall authorize or take action in respect to any such contract or transaction or act and may vote thereat to authorize, ratify, or approve any such contract or transaction or act, with like force and effect as if he or any firm of which he is a member or any corporation of which he is a shareholder, director or officer were not interested in such transaction or contract or act.

On February 20, 2003, UG purchased \$4 million of a trust preferred security offering issued by First Southern Bancorp, Inc. ("FSBI"). The security has a mandatory redemption after 30 years with a call provision after 5 years. The security pays a quarterly dividend at a fixed rate of 6.515%. The Company received dividends of \$165,590 and \$198,297 during 2020 and 2019, respectively. On March 30, 2009, UG purchased \$1 million of FSBI common stock. The sale and transfer of this security is restricted by the provisions of a stock restriction and buy-sell agreement. During 2020, the Company received a preferred pay down of \$502,000 leaving a cost basis of \$2,500,000.

UTG has a 30.10% ownership interest in an aircraft that is jointly owned with First Southern National Bank and Bandyco, LLC. Bandyco, LLC is affiliated with the Estate of Ward F. Correll. Mr. Correll is the father of Jesse Correll and a former director of the Company. The aircraft is used for business related travel by various officers and employees of the Company. For years

2020 and 2019, UTG paid \$298,058 and \$354,404 for costs associated with the aircraft, respectively.

Effective January 1, 2007, UTG entered into administrative services and cost sharing agreements with its subsidiary. Under this arrangement, the subsidiary pays its proportionate share of expenses, based on an allocation formula. During 2020 and 2019, UG paid \$7,262,645 and \$7,397,953, respectively, in expenses. The Ohio Department of Insurance has approved the cost sharing agreement and it is Management's opinion that where applicable, costs have been allocated fairly and such allocations are based upon accounting principles generally accepted in the United States of America.

The Company from time to time acquires mortgage loans through participation agreements with FSNB. FSNB services the Company's mortgage loans including those covered by the participation agreements. The Company pays a .25% servicing fee on these loans and a one-time fee at loan origination of .50% of the original loan cost to cover costs incurred by FSNB relating to the processing and establishment of the loan. The Company paid \$23,721 and \$15,138 in servicing fees and \$35,240 and \$0 in origination fees to FSNB during 2020 and 2019, respectively.

Effective January 1, 2017, UTG entered into a shared services contract with FSNB. Pursuant to the terms of the agreement, UTG and FSNB will utilize the services of the other's staff in certain instances for the betterment of both entities. Personnel within departments, such as accounting, human resources, and information technology, are shared between the entities. Costs of these resources are then reimbursed between the companies. The shared services arrangement provides benefits to both parties such as access to a greater pool of knowledgeable staff, efficiencies from elimination of redundancies and more streamlined operations.

The Company reimbursed expenses incurred by employees of FSNB relating to salaries, travel and other costs incurred on behalf of or relating to the Company and received reimbursements from FSNB. The Company paid \$766,616 and \$842,045 in 2020 and 2019, respectively to FSNB in net reimbursement of such costs.

Effective July 1, 2018, the Company assumed the employees of several smaller entities associated with UTG. The purpose of this was to support the continued efforts to further streamline operations amongst associated entities. The salaries, benefits, and payroll related processing fees are 100% reimbursed by the associated entities on a monthly basis. During 2020 and 2019, the Company received reimbursements of \$838,431 and \$922,357, respectively.

The Company rents approximately 8,000 square feet of office space, located in Stanford, Kentucky, from FSNB and pays \$2,000 per month in rent. The Company paid rent of \$24,000 to FSNB during 2020 and 2019.

As previously disclosed in the Notes Receivable section of Note 2 - Investments, several of the Company's notes have participation agreements in place with third parties. Certain participation agreements are with FSF, a related party. The participation agreements are sold without recourse and assigned to the participant based on their pro-rata share of the principal, interest and collateral as specified in the participation agreements. The undivided participations in the notes receivable range from 20% - 50%. The total amount of loans participated to FSF was \$216,160 and \$250,000 as of December 31, 2020 and 2019, respectively.

During 2020, UG purchased four real estate parcels from FSNB at a cost of \$1,560,000. Also, during 2020, UG purchased UG-Cam, LLC from FSF at a cost of \$539,508. At the time of purchase, UG-Cam, LLC owned four properties.

Item 14. Principal Accounting Fees and Services

The Audit Committee is required to be directly responsible for the appointment, compensation and retention of the Company's independent registered public accounting firm. The Audit Committee appointed Brown Smith Wallace, LLP ("BSW") as the Company's independent registered public accounting firm for the fiscal years ended December 31, 2020 and 2019.

Amounts paid to, or billed by, the Company's principal accountant, during the two most recent fiscal years by category were as follows:

Audit Fees - Audit fees paid for these audit services in the fiscal years ended December 31, 2020 and 2019 totaled \$121,550 and \$119,850 respectively. Fees billed for the quarterly reviews of the Company's financial statements totaled \$23,850 and \$23,250 for the years 2020 and 2019, respectively.

Audit Related Fees - No audit related fees were incurred by the Company from BSW for the years ended December 31, 2020 and 2019.

Tax Fees - For the years ended December 31, 2020 and 2019, the Company paid \$17,600 and \$26,300, respectively, to BSW relating to certain tax advice and electronic filing of certain federal and state income tax returns of the Company.

All Other Fees - During 2020 and 2019, the Company paid no other fees to BSW.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of the report:

- (1) Financial Statements:
Included in Part II, Item 8 of this Report.
- (2) Financial Statement Schedules
The financial statement schedules have been omitted as they are deemed inapplicable or not required by Regulation S-X.

(a)(3) & (b) Exhibits
The following are exhibits to this report, and if incorporated by reference, we have indicated the document previously filed with the SEC in which the exhibit was included:

Exhibit Number	Description
3.1	Certificate of Incorporation of the Registrant and all amendments thereto [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2013 originally filed as Exhibit 3.1].
3.2	By-Laws for the Registrant and all amendments thereto [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2013 originally filed as Exhibit 3.2].
4.1	UTG's Agreement pursuant to Item 601(b) (4) (iii) (A) of Regulation S-K with respect to long-term debt instruments [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2013 originally filed as Exhibit 4.1].
10.1	Amendment to Reinsurance Agreement between Universal Guaranty Life Insurance Company and Optimum Re Insurance Company originally with Business Men's Assurance Company of America. [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2015 originally filed as Exhibit 10.2].
10.2	Reinsurance Agreement between Universal Guaranty Life Insurance Company and Swiss RE originally with Life Reassurance Corporation of America. [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2015 originally filed as Exhibit 10.3].
10.3	Assumption Reinsurance Agreement between Universal Guaranty Life Insurance Company and Park Avenue Life Insurance Company formerly known as First International Life Insurance Company. [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2015 originally filed as Exhibit 10.4].
10.5	Commercial pledge agreement dated November 20, 2012, between UTG, Inc. and Illinois National Bank. [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2012 originally filed as Exhibit 10.20].
10.6	Administrative Services and Cost Sharing Agreement dated as of January 1, 2007 between UTG, Inc. and Universal Guaranty Life Insurance Company [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2013 originally filed as Exhibit 10.11].
10.7	Agreement regarding Mortgage Loans by and between First Southern National Bank and Universal Guaranty Life Insurance Company [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2013 originally filed as Exhibit 10.12].

10.8	Universal Guaranty Participation Agreement-Purchased Loan [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2013 originally filed as Exhibit 10.13].
10.9	Universal Guaranty Participation Agreement-Originated Loan [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2013 originally filed as Exhibit 10.14].
10.10	Management Data, Inc. Software License Agreement [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2014 originally filed as Exhibit 10.16].
10.12	Aircraft Joint Ownership Agreement by and among Bandyco, LLC, First Southern National Bank and UTG, Inc. dated August 11, 2014 [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2014 originally filed as Exhibit 10.18].
*10.13	Promissory Note dated November 20, 2021, between UTG, Inc. and Illinois National Bank.
10.14	Shared Services Agreement between UTG, Inc. and FSNB effective January 1, 2017. [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2018 originally filed as Exhibit 10.14].
10.15	Amendment #1 to the Shared Services Agreement between UTG, Inc. and FSNB effective January 1, 2018 [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2018 originally filed as Exhibit 10.15].
10.16	Amendment #2 to the Shared Services Agreement between UTG, Inc. and FSNB effective September 1, 2018. [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2018 originally filed as Exhibit 10.16].
10.17	Amendment #3 to the Shared Services Agreement between UTG, Inc. and FSNB effective January 1, 2019. [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2018 originally filed as Exhibit 10.17].
14.1	Code of Ethics and Business Conduct [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2013 originally filed as Exhibit 14.1].
14.2	Code of Ethical Conduct for Senior Financial Officers [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2013 originally filed as Exhibit 14.2].
*21.1	List of Subsidiaries of the Registrant.
*31.1	Certificate of Jesse T. Correll, Chief Executive Officer and Chairman of the Board of UTG, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certificate of Theodore C. Miller, Chief Financial Officer, Senior Vice President and Corporate Secretary of UTG, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certificate of Jesse T. Correll, Chief Executive Officer and Chairman of the Board of UTG, as required pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
*32.2	Certificate of Theodore C. Miller, Chief Financial Officer, Senior Vice President and Corporate Secretary of UTG, as required pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
99.1	Audit Committee Charter. [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2018 originally filed as Exhibit 99.1].
99.2	Whistleblower Policy [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2013 originally filed as Exhibit 99.2].
99.3	Compensation Committee Charter. [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2015 originally filed as Exhibit 99.3].
99.4	Investment Committee Charter. [Incorporated by reference to the Registrant's form 10-K, for the year ended December 31, 2015 originally filed as Exhibit 99.4].
*101	Interactive Data File
* Filed herewith	

SIGNATURES

Pursuant to the requirements of Section 13 or 15(D) of the Securities Exchange Act of 1934, UTG, Inc. has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

UTG, Inc.

By: <u>/s/ Jesse T. Correll</u> <div style="text-align: center;">Jesse T. Correll Chairman and Chief Executive Officer and Director</div>	By: <u>/s/ Theodore C. Miller</u> <div style="text-align: center;">Theodore C. Miller Senior Vice President, Chief Financial Officer and Secretary (principal financial and accounting officer)</div>
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Date: March 25, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: <u>/s/ April R. Chapman</u> <div style="text-align: center;">April R. Chapman Director</div>	By: <u>/s/ Thomas E. Harmon</u> <div style="text-align: center;">Thomas E. Harmon Director</div>
By: <u>/s/ Jesse T. Correll</u> <div style="text-align: center;">Jesse T. Correll Chairman of the Board, Chief Executive Officer and Director</div>	By: <u>/s/ Gabriel J. Molnar</u> <div style="text-align: center;">Gabriel J. Molnar Director</div>
By: <u>/s/ Preston H. Correll</u> <div style="text-align: center;">Preston H. Correll Director</div>	By: <u>/s/ Peter L. Ochs</u> <div style="text-align: center;">Peter L. Ochs Director</div>
By: <u>/s/ John M. Cortines</u> <div style="text-align: center;">John M. Cortines</div>	By: <u>/s/ James P. Rousey</u> <div style="text-align: center;">James P. Rousey</div>

Director

By: /s/ Thomas F. Darden II

Thomas F. Darden II
Director

By: /s/ Howard L. Dayton

Howard L. Dayton
Director

Director

By: /s/ Theodore C. Miller

Theodore C. Miller
Corporate Secretary and Chief Financial Officer