

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

FORM 10-Q

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

For Quarter Ended September 30, 2002

Commission File Number: 0-9341

SECURITY NATIONAL FINANCIAL CORPORATION
Exact Name of Registrant.

UTAH

(State or other jurisdiction
of incorporation or organization)

87-0345941

IRS Identification Number

5300 South 360 West, Salt Lake City, Utah

(Address of principal executive offices)

84123

(Zip Code)

Registrant's telephone number, including Area Code

(801) 264-1060

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A Common Stock, \$2.00 par value

4,091,395

Title of Class

Number of Shares Outstanding as of
September 30, 2002

Class C Common Stock, \$.20 par value

5,819,924

Title of Class

Number of Shares Outstanding as of
September 30, 2002

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
FORM 10Q

QUARTER ENDED September 30, 2002

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SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
Revenues: -----	2002 ----	2001 ----	2002 ----	2001 ----
Insurance premiums and other considerations	\$10,319,892	\$10,019,159	\$3,627,683	\$3,435,975
Net investment income	8,504,297	9,600,420	3,052,659	3,040,440
Net mortuary and cemetery sales	8,410,926	7,821,845	2,871,893	2,514,064
Realized gains on investments and other assets	746,021	120,006	27,205	116,020
Mortgage fee income	34,828,830	26,763,907	15,988,606	9,574,016
Other	415,292	105,495	106,325	50,497
	-----	-----	-----	-----
Total revenues	63,225,258	54,430,832	25,674,371	18,731,012
Benefits and expenses: -----				
Death benefits	4,298,196	3,951,069	1,325,095	1,160,311
Surrenders and other policy benefits	1,442,718	1,155,853	372,618	319,299
Increase in future policy benefits	3,628,655	4,172,498	1,569,539	1,628,704
Amortization of deferred policy acquisition costs and cost of insurance acquired	2,334,477	2,920,863	565,708	971,917
General and administrative expenses:				
Commissions	26,554,414	20,238,147	12,591,644	7,160,719
Salaries	8,308,534	7,065,515	2,925,397	2,825,928
Other	10,320,968	8,708,725	3,955,599	2,739,709
Interest expense	1,013,868	2,174,795	491,072	556,503
Cost of goods and services sold of the mortuaries and cemeteries	1,971,909	1,938,261	689,116	556,856
	-----	-----	-----	-----
Total benefits and expenses	59,873,739	52,325,726	24,485,788	17,919,946
Earnings before income taxes	3,351,519	2,105,106	1,188,583	811,066
Income tax expense	(825,614)	(572,559)	(294,796)	(217,899)
Minority interest (income) loss of subsidiary	18,263	47,196	3,898	12,010
	-----	-----	-----	-----
Net earnings	\$2,544,168	\$1,579,743	\$897,685	\$605,177
	=====	=====	=====	=====
Net earnings per common share	\$.54	\$.35	\$.19	\$0.14
	====	====	====	====
Weighted average outstanding common shares	4,680,665	4,450,839	4,684,250	4,450,839
	=====	=====	=====	=====
Net earnings per common share-assuming dilution	\$.51	\$.35	\$.18	\$.14
	====	====	====	====
Weighted average outstanding common shares assuming-dilution	5,013,965	4,451,366	5,083,126	4,451,510
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	September 30, 2002 (Unaudited)	December 31, 2001
	-----	-----
Assets:		
Insurance-related investments:		
Fixed maturity securities held to maturity, at amortized cost	\$24,808,183	\$27,799,909
Fixed maturity securities available for sale, at market	18,598,865	21,470,729
Equity securities available for sale, at market	2,071,767	2,641,549
Mortgage loans on real estate	16,536,243	15,479,305
Real estate, net of accumulated depreciation	9,592,576	9,051,691
Policy, student and other loans	10,966,381	11,277,975
Short-term investments	2,362,224	1,453,644
	-----	-----
Total insurance-related investments	84,936,239	89,174,802
Restricted assets of cemeteries and mortuaries	5,454,480	5,339,436
Cash	20,258,946	8,757,246
Receivables:		
Trade contracts	9,834,006	6,945,274
Mortgage loans sold to investors	46,584,698	50,695,073
Receivable from agents	2,036,705	2,061,541
Receivable from officers	76,290	102,200
Other	1,392,657	1,183,927
	-----	-----
Total receivables	59,924,356	60,988,015
Allowance for doubtful accounts	(2,202,049)	(2,287,241)
	-----	-----
Net receivables	57,722,307	58,700,774
Policyholder accounts on deposit with reinsurer	7,011,221	7,148,068
Land and improvements held for sale	8,080,202	8,346,448
Accrued investment income	1,062,699	1,059,789
Deferred policy acquisition costs	15,507,351	14,453,023
Property, plant and equipment, net	11,055,793	10,802,387
Cost of insurance acquired	7,062,361	7,615,348
Excess of cost over net assets of acquired subsidiaries	1,038,962	1,065,045
Other	630,146	597,209
	-----	-----
Total assets	\$219,820,707	\$213,059,575
	=====	=====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (Continued)

	September 30, 2002 (Unaudited)	December 31, 2001
	-----	-----
Liabilities:		

Future life, annuity, and other policy benefits	\$142,013,716	\$140,504,866
Unearned premium reserve	1,878,246	1,785,977
Bank loans payable	7,388,760	8,461,900
Notes and contracts payable	3,236,282	3,635,776
Deferred pre-need cemetery and funeral contract revenue	9,718,752	9,338,353
Payable to endowment care fund	74,244	5,586
Accounts payable	1,320,559	1,319,319
Funds held under reinsurance treaties	1,343,970	1,379,640
Other liabilities and accrued expenses	8,362,265	5,547,213
Income taxes	7,819,921	6,874,597
	-----	-----
Total liabilities	183,156,715	178,853,227
Minority interest	4,298,875	4,237,030
Stockholders' Equity:		

Common stock:		
Class A: \$2 par value, authorized 10,000,000 shares, issued 5,386,110 shares in 2002 and 5,363,591 shares in 2001	10,772,221	10,727,182
Class C: \$0.20 par value, authorized 7,500,000 shares, issued 5,888,256 shares in 2002 and 6,113,430 shares in 2001	1,177,651	1,222,686
	-----	-----
Total common stock	11,949,872	11,949,868
Additional paid-in capital	10,168,519	10,168,523
Accumulated other comprehensive income, net of deferred taxes	1,037,737	1,223,930
Retained earnings	12,533,398	9,989,230
Treasury stock at cost (1,294,715 Class A shares and 68,332 Class C shares in 2002; 1,233,064 Class A shares and 65,078 Class C shares in 2001, held by affiliated companies)	(3,324,409)	(3,362,233)
	-----	-----
Total stockholders' equity	32,365,117	29,969,318
	-----	-----
Total liabilities and stockholders' equity	\$219,820,707	\$213,059,575
	=====	=====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended 2002 ----	September 30, 2001 ----
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	\$12,523,692 -----	\$(5,594,384) -----
Cash flows from investing activities:		
Securities held to maturity:		
Purchase - fixed maturity securities	(4,062,931)	(402,995)
Calls and maturities - fixed maturity securities	7,122,717	11,555,252
Securities available for sale:		
Calls and maturities - fixed maturity securities	3,301,497	1,064,816
Purchase of equity securities	(367)	--
Sales of equity securities	--	11,382
Purchases of short-term investments	(8,334,285)	(13,415,431)
Sales of short-term investments	7,425,705	8,575,000
Purchases of restricted assets	(147,552)	(384,905)
Mortgage, policy, and other loans made	(4,707,046)	(2,741,158)
Payments received for mortgage, real estate, policy, and other loans	4,648,685	4,606,735
Purchases of property, plant, and equipment	(1,160,274)	(776,042)
Purchases of real estate	(1,501,405) -----	(49,472) -----
Net cash provided by investing activities	2,584,744 -----	8,043,182 -----
Cash flows from financing activities:		
Annuity receipts	6,153,617	5,368,875
Annuity withdrawals	(8,325,543)	(9,462,819)
Repayment of bank loans and notes and contracts payable	(1,659,228)	(1,985,411)
Proceeds from borrowings on bank loans and notes and contracts payable	186,594	--
Sale of treasury stock	37,824 -----	-- -----
Net cash used in financing activities	(3,606,736) -----	(6,079,355) -----
Net change in cash	11,501,700	(3,630,557)
Cash at beginning of period	8,757,246 -----	11,275,030 -----
Cash at end of period	\$20,258,946 =====	\$7,644,473 =====

See accompanying notes to consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
September 30, 2002
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2002, are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 2001, included in the Company's Annual Report on Form 10-K (file number 0-9341).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The estimates susceptible to significant change are those used in determining the liability for future policy benefits and claims, those used in determining valuation allowances for mortgage loans on real estate, and those used in determining the estimated future costs for pre-need sales. Although some variability is inherent in these estimates, management believes the amounts provided are adequate.

2. Comprehensive Income

For the nine months ended September 30, 2002 and 2001, total comprehensive income amounted to \$2,542,975 and \$1,817,878, respectively.

For the three months ended September 30, 2002 and 2001, total comprehensive income amounted to \$992,461 and \$628,622, respectively.

3. Capital Stock

The basic and diluted earnings per share amounts were calculated as follows:

	Nine Months Ended September 30, 2002 ----	2001 ----
Numerator:		
Net income	\$2,544,168 =====	\$1,579,743 =====
Denominator:		
Denominator for basic earnings per share-- weighted-average shares	4,680,665 -----	4,450,839 -----
Effect of dilutive securities:		
Employee stock options	305,041	527
Stock Appreciation Rights	28,259 -----	-- -----
Dilutive potential common shares	333,300 -----	527 -----
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions	5,013,965 =====	4,451,366 =====
Basic earnings per share	\$.54	\$.35

Diluted earnings per share

====
\$.51
====

====
\$.35
====

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
September 30, 2002
(Unaudited)

3. Capital Stock

	Three Months Ended September 30,	
	2002	2001
	----	----
Numerator:		
Net income	\$ 897,685	\$ 605,177
Denominator:		
Denominator for basic earnings per share-- weighted-average shares	4,684,250	4,450,839
Effect of dilutive securities:		
Employee stock options	314,024	671
Stock appreciation rights	84,852	--
Dilutive potential common shares	398,876	671
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions	5,083,126	4,451,510
Basic earnings per share	\$.19	\$.14
Diluted earnings per share	\$.18	\$.14

4. Recent Accounting Pronouncement

Management has considered whether impairment exists on goodwill in relation to Statement of Financial Accounting Standards No. 142, and does not believe there is any material impairment.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
September 30, 2002
(Unaudited)

5. Business Segment

	Life Insurance -----	Cemetery/ Mortuary -----	Mortgage -----	Reconciling Items -----	Consolidated -----
For the Nine Months Ended September 30, 2002					
Revenues from external customers	\$14,844,979	\$9,910,352	\$38,469,927	\$ --	\$63,225,258
Intersegment revenues	3,474,189	--	--	(3,474,189)	--
Segment profit	563,976	1,221,538	1,566,005	--	3,351,519
Identifiable assets	203,071,749	41,053,996	10,180,717	(34,485,755)	219,820,707
For the Nine Months Ended September 30, 2001					
Revenues from external customers	\$15,462,190	\$8,688,388	\$30,280,254	\$ --	\$54,430,832
Intersegment revenues	2,628,248	--	--	(2,628,248)	--
Segment profit	354,088	261,861	1,489,157	--	2,105,106
Identifiable assets	200,152,224	36,825,841	5,712,935	(33,409,957)	209,281,043
For the Three Months Ended September 30, 2002					
Revenues from external customers	\$5,083,781	\$3,159,121	\$17,431,469	\$ --	\$25,674,371
Intersegment revenues	1,186,158	--	--	(1,186,158)	--
Segment profit	59,282	195,121	934,180	--	1,188,583
For the Three Months Ended September 30, 2001					
Revenues from external customers	\$5,131,874	\$2,880,277	\$10,718,861	\$ --	\$18,731,012
Intersegment revenues	850,322	--	--	(850,322)	--
Segment profit	(205,141)	89,785	926,422	--	811,066

Item 2. Management's Discussion and Analysis

Overview

The Company's operations over the last several years generally reflect three trends or events which the Company expects to continue: (i) increased attention to "niche" insurance products, such as the Company's funeral plan policies and interest sensitive products; (ii) emphasis on cemetery and mortuary business; and (iii) capitalizing on lower interest rates by originating and refinancing mortgage loans.

During the nine months ended September 30, 2002, Security National Mortgage Company ("SNMC") experienced increases in revenue and expenses due to the increase in loan volume of its operations. SNMC is a mortgage lender incorporated under the laws of the State of Utah. SNMC is approved and regulated by the Federal Housing Administration (FHA), a department of the U.S. Department of Housing and Urban Development (HUD), to originate mortgage loans that qualify for government insurance in the event of default by the borrower. SNMC obtains loans primarily from independent brokers and correspondents. SNMC funds the loans from internal cash flows and lines of credit from financial institutions. SNMC receives fees from origination points paid by the borrowers and service and release premiums received from third party investors who purchase the loans from SNMC. SNMC sells all of its loans to third party investors and does not retain servicing to these loans. SNMC pays the brokers and correspondents a commission for loans that are brokered through SNMC. SNMC originated and sold 7,403 (\$1,075,229,000) and 5,812 (\$836,124,000) loans respectively for the nine months ended September 30, 2002 and 2001.

Results of Operations

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001

Total revenues increased by \$8,794,000, or 16.2%, to \$63,225,000 for the nine months ended September 30, 2002, from \$54,431,000 for the nine months ended September 30, 2001. Contributing to this increase in total revenues was an \$8,065,000 increase in mortgage fee income, a \$589,000 increase in net mortuary and cemetery sales, a \$301,000 increase in insurance premiums and other considerations, and a \$626,000 increase in realized gains on investments and other assets.

Insurance premiums and other considerations increased by \$301,000, or 3.0%, to \$10,320,000 for the nine months ended September 30, 2002, from \$10,019,000 for the comparable period in 2001. This increase was primarily the result of additional written insurance premiums.

Net investment income decreased by \$1,096,000 or 11.4%, to \$8,504,000 for the nine months ended September 30, 2002, from \$9,600,000 for the comparable period in 2001. This decrease was primarily attributable to lower yields on investments.

Net mortuary and cemetery sales increased by \$589,000, or 7.5%, to \$8,411,000 for the nine months ended September 30, 2002, from \$7,822,000 for the comparable period in 2001. This increase was primarily due to additional at-need cemetery and mortuary sales.

Realized gains on investments and other assets increased by \$626,000, to \$746,000 for the nine months ended September 30, 2002, from \$120,000 for the comparable period in 2001. This increase was the result of the sale of approximately 3.5 acres at Lakehills Cemetery in Sandy, Utah to the Utah Transit Authority.

Mortgage fee income increased by \$8,065,000, or 30.1%, to \$34,829,000 for the nine months ended September 30, 2002, from \$26,764,000 for the comparable period in 2001. This increase was primarily attributable to a greater number of loan originations during the nine months of 2002 due to the opening of new branch offices in Mesa, Arizona and Houston, Texas.

Total benefits and expenses were \$59,874,000, or 94.7%, of total revenues for the nine months ended September 30, 2002, as compared to \$52,326,000, or 96.1%, of total revenues for the comparable period in 2001.

Death benefits, surrenders and other policy benefits and increase in future policy benefits increased by an aggregate of \$90,000, or 1.0%, to \$9,370,000 for the nine months ended September 30, 2002, from \$9,279,000 for the comparable period in 2001. This increase was primarily the result of additional death claims.

Amortization of deferred policy acquisition costs and cost of insurance acquired decreased by \$587,000, or 20.1%, to \$2,334,000 for the nine months ended September 30, 2002, from \$2,921,000 for the comparable period in 2001. This decrease was primarily due to the adjustment of the amortization rate to the Company's current actuarial assumptions.

General and administrative expenses increased by \$9,172,000, or 25.5%, to \$45,184,000 for the nine months ended September 30, 2002, from \$36,012,000 for the comparable period in 2001. This increase primarily resulted from an increase in commissions, salaries and other expenses due to additional mortgage loan originations having been made by the Company's mortgage subsidiary during the nine months of 2002.

Interest expense decreased by \$1,161,000, or 53.4%, to \$1,014,000 for the nine months ended September 30, 2002, from \$2,175,000 for the comparable period in 2001. This decrease was primarily due to lower interest rates and fewer borrowings under the Company's warehouse lines of credit required for mortgage loan originations by the Company's mortgage subsidiary.

Cost of goods and services sold of the mortuaries and cemeteries increased by \$34,000, or 1.7%, to \$1,972,000 for the nine months ended September 30, 2002, from \$1,938,000 for the comparable period in 2001. This increase was in line with the increase in at-need mortuary and cemetery sales.

Third Quarter of 2002 Compared to Third Quarter of 2001

Total revenues increased by \$6,943,000, to \$25,674,000 for the three months ended September 30, 2002, from \$18,731,000 for the three months ended September 30, 2001. Contributing to this increase in total revenues was a \$6,415,000 increase in mortgage fee income, a \$358,000 increase in net mortuary and cemetery sales and a \$192,000 increase in insurance premiums and other considerations.

Insurance premiums and other considerations increased by \$192,000, or 5.6%, to \$3,628,000 for the three months ended September 30, 2002, from \$3,436,000 for the comparable period in 2001. This increase was primarily due to the adjustment of the amortization rate of unearned premium reserve to the Company's current actuarial assumptions.

Net investment income increased by \$13,000, or .4%, to \$3,053,000 for the three months ended September 30, 2002, from \$3,040,000 for the comparable period in 2001. This increase was primarily attributable to better yields on investments.

Net mortuary and cemetery sales increased by \$358,000, or 14.2%, to \$2,872,000 for the three months ended September 30, 2002, from \$2,514,000 for the comparable period in 2001. This increase is primarily due to additional at-need mortuary and cemetery sales.

Mortgage fee income increased by \$6,415,000, or 67.0%, to \$15,989,000 for the three months ended September 30, 2002, from \$9,574,000 for the comparable period in 2001. This increase was primarily attributable to a greater number of loan originations during the third quarter of 2002, due to the opening of new branch offices in Mesa, Arizona and Houston, Texas.

Total benefits and expenses were \$24,486,000, or 95.4%, of total revenues for the three months ended September 30 2002, as compared to \$17,920,000, or 95.7%, of total revenues for the comparable period in 2001.

Death benefits, surrenders and other policy benefits, and increase in future policy benefits increased by an aggregate of \$159,000, or 5.1%, to \$3,267,000 for the three months ended September 30, 2002, from \$3,108,000 for the comparable period in 2001. This increase was primarily the result of additional death claims.

Amortization of deferred policy acquisition costs and cost of insurance acquired decreased by \$406,000 or 41.8%, to \$566,000, for the three months ended September 30, 2002, from \$972,000 for the comparable period in 2001. This decrease was in line with actuarial assumptions.

General and administrative expenses increased by \$6,747,000, or 53.0%, to \$19,473,000 for the three months ended September 30, 2002, from \$12,726,000 for the comparable period in 2001. This increase primarily resulted from an increase in commissions and other expenses due to additional mortgage loan originations having been made by the Company's mortgage subsidiary during the third quarter of 2002.

Interest expense decreased by \$65,000, or 11.8%, to \$491,000 for the three months ended September 30, 2002, from \$557,000 for the comparable period in 2001. This decrease was primarily due to lower interest rates and fewer borrowings under the Company's warehouse lines of credit required for mortgage loan originations by the Company's mortgage subsidiary.

Cost of mortuaries and cemeteries goods and services sold increased by \$132,000 or 23.8%, to \$689,000 for the three months ended September 30, 2002, from \$557,000 for the comparable period in 2001. This increase was in line with the increase of at-need mortuary and cemetery sales.

Liquidity and Capital Resources

The Company's life insurance subsidiaries and cemetery and mortuary subsidiaries realize cash flow from premiums, contract payments and sales on personal services rendered for cemetery and mortuary business, from interest and dividends on invested assets, and from the proceeds from the maturity of held-to-maturity investments, or sale of other investments. The mortgage subsidiary realizes cash flow from fees generated by originating and refinancing mortgage loans and interest earned on mortgages sold to investors. The Company considers these sources of cash flow to be adequate to fund future policyholder and cemetery and mortuary liabilities, which generally are long-term, and adequate to pay current policyholder claims, annuity payments, expenses on the issuance of new policies, the maintenance of existing policies, debt service, and operating expenses.

The Company attempts to match the duration of invested assets with its policyholder and cemetery and mortuary liabilities. The Company may sell investments other than those held-to-maturity in the portfolio to help in this timing; however, to date, that has not been necessary. The Company purchases short-term investments on a temporary basis to meet the expectations of short-term requirements of the Company's products. The Company's investment philosophy is intended to provide a rate of return which will persist during the expected duration of policyholder and cemetery and mortuary liabilities regardless of future interest rate movements.

The Company's investment policy is to invest predominantly in fixed maturity securities, mortgage loans, and warehouse mortgage loans on a short-term basis before selling the loans to investors in accordance with the requirements and laws governing the life insurance subsidiaries. Bonds owned by the life insurance subsidiaries amounted to \$43,407,000 as of September 30, 2002, compared to \$49,271,000 as of December 31, 2001.

This represents 51% and 55% of the total insurance-related investments as of September 30, 2002, and December 31, 2001, respectively. Generally, all bonds owned by the life insurance subsidiaries are rated by the National Association of Insurance Commissioners. Under this rating system, there are six categories used for rating bonds. At September 30, 2002 and December 31, 2001, 6% and 5%, respectively, or (\$2,438,000) of the Company's total investment in bonds were invested in bonds in rating categories three through six, which are considered non-investment grade.

The Company has classified certain of its fixed income securities, including high-yield securities, in its portfolio as available for sale, with the remainder classified as held to maturity. However, in accordance with Company policy, any such securities purchased in the future will be classified as held to maturity. Business conditions, however, may develop in the future which may indicate a need for a higher level of liquidity in the investment portfolio. In that event the Company believes it could sell short-term investment grade securities before liquidating higher-yielding longer term securities.

The Company is subject to risk based capital guidelines established by statutory regulators requiring minimum capital levels based on the perceived risk of assets, liabilities, disintermediation, and business risk. At September 30, 2002 and December 31, 2001, the life insurance subsidiary exceeded the regulatory criteria.

The Company's total capitalization of stockholders' equity and bank debt and notes payable was \$42,990,000 as of September 30, 2002, as compared to \$42,067,000 as of December 31, 2001. Stockholders' equity as a percent of capitalization increased to 75% as of September 30, 2002, from 71% as of December 31, 2001.

Lapse rates measure the amount of insurance terminated during a particular period. The Company's lapse rate for life insurance in 2001 was 13.2% as compared to a rate of 15.0% for 2000. The 2002 lapse rate is approximately the same as 2001.

At September 30, 2002, \$23,166,000 of the Company's consolidated stockholders' equity represents the statutory stockholders' equity of the Company's life insurance subsidiaries. The life insurance subsidiaries cannot pay a dividend to its parent company without the approval of insurance regulatory authorities.

Item 3. Quantitative and Qualitative Disclosure of Market Risk

There have been no significant changes since the annual report Form 10-K filed for the year ended December 31, 2001.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and its Chief Financial Officer (the "Certifying Officers"), are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Certifying Officers have concluded (based on their evaluation of these controls and procedures as of a date within 90 days of the filing of this report) that the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934) are effective. No significant changes were made in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Part II Other Information:

Item 1. Legal Proceedings

An action was brought against Southern Security Life Insurance Company in July 1999 by Dorothy Ruth Campbell in the Circuit Court of Escambia County, Alabama. The action arises out of a denial of coverage under a \$10,000 insurance policy. The claims are for breach of contract, bad faith and fraudulent misrepresentation. In the action, Campbell seeks compensatory and punitive damages plus interest. The Company has filed its response to the complaint and certain discovery has taken place. A motion for summary judgment filed on behalf of the Company was denied. A trial date has yet to be set as the Company continues to vigorously defend the matter.

An action was brought against the Company in May 2001, by Glenna Brown Thomas individually and as personal representative of the Estate of Lynn W. Brown in the Third Judicial Court, Salt Lake County, Utah. The action asserts that Memorial Estates delivered to Lynn W. Brown six stock certificates representing 2,000 shares in 1970 and 1971. Mr. Brown died in 1972. It is asserted that at the time the 2,000 shares were issued and outstanding, such represented a 2% ownership of Memorial Estates. It is alleged Mr. Brown was entitled to preemptive rights and that after the issuance of the stock to Mr. Brown there were further issuances of stock without providing written notice to Mr. Brown or his estate with respect to an opportunity to purchase more stock. It is asserted among other things that the plaintiff "has the right to a transfer of Brown's shares to Thomas on defendants' (which includes Security National Financial Corporation as well as Memorial Estates, Inc.) books and to restoration of Brown's proportion of share ownership in Memorial at the time of his death by issuance and delivery to Thomas of sufficient shares of defendant's publicly traded and unrestricted stock in exchange for the 2,000 shares of Memorial stock and payment of all dividends from the date of Thomas's demand, as required by Article XV of the Articles of Incorporation." Based on present information, the Company intends to vigorously defend the matter, including an assertion that the statute of limitations bars the claims.

An action was brought against Southern Security Life Insurance Company by National Group Underwriters, Inc. ("NGU") in state court in the State of Texas. The case was removed by the Company to the United States District Court for the Northern District of Texas, Fort Worth Division, with Civil No. 4:01-CV-403-E. An Amended Complaint was filed on or about July 18, 2001. The Amended Complaint asserts that NGU had a contract with the Company wherein NGU would submit applications for certain policies of insurance to be issued by the Company. It is alleged that disputes have arisen between NGU and the Company with regard to the calculation and payment of certain advanced commissions as well as certain production bonuses.

NGU alleged that it "has been damaged far in excess of the \$75,000 minimum jurisdictional limits of this Court." NGU also seeks attorney's fees and costs as well as prejudgment and postjudgment interest. A second amended complaint and a third amended complaint, which included a fraud claim, were filed. A motion was filed by the Company to dismiss the third amended complaint, including the fraud claim. The court denied the motion. The Company has counterclaimed for what it claims to be a debit balance owing to it pursuant to the relationship between the parties with the counterclaim seeking a substantial amount from NGU (the amount potentially subject to reduction as premiums are received). The Company is also seeking to recover attorney's fees and costs, as well as punitive damages on three of its causes of action. The change of venue motion of the Company was denied. Certain discovery has taken place. By stipulation of the parties, the case was dismissed without prejudice. The matter was refiled in Texas state court, Tarrant County, Case No. 348 195490 02. The claims of the respective parties are essentially the same as set forth above. Further discovery involving the parties is anticipated. The Company intends to vigorously defend the matter as well as prosecute its counterclaim.

An action was brought by Bernice Johnson against Southern Security Life Insurance Company in May, 2002 in the Circuit Court of Jefferson County, Alabama, Civil Action No. CV02 2963. The face amount of coverage under the policy is \$15,000. The insured died in July 2001. Claims are made for non-payment of the policy amount. The claims for relief include misrepresentation, mental anguish and emotional distress, fraud, intentional and bad faith non-payment of the benefit, intentional and bad faith failure to investigate the claim for benefits, reckless and negligent and wanton action relative to misrepresentation and/or concealment of facts, negligence and the wanton hiring, training and supervision of agent. Compensatory and punitive damages are sought along with interest and costs. An answer has been filed by the Company and discovery is in process.

The Company is not a party to any other legal proceedings outside the ordinary course of the Company's business or to any other legal proceedings which, if adversely determined, would have a material adverse effect on the Company or its business.

Item 2. Changes in Securities

NONE

Item 3. Defaults Upon Senior Securities

NONE

Item 4. Submission of Matters to a Vote of Security Holders

At the annual stockholders meeting held on July 23, 2002, the following matters were acted upon: (i) seven directors consisting of George R. Quist, J. Lynn Beckstead, Jr., Scott M. Quist, Charles L. Crittenden, Dr. Robert G. Hunter, H. Craig Moody and Norman G. Wilbur were elected to serve until the next annual stockholders meeting or until their respective successors are elected and qualified (for George R. Quist, Class A and Class C shares, 7,841,263 votes were cast in favor of election, 25,184 votes were cast against election and there were no abstentions; for J. Lynn Beckstead, Jr., Class A and Class C shares, 7,843,666 votes were cast in favor of election, 22,781 votes were cast against election and there were no abstentions; for Scott M. Quist, Class A shares only, 2,519,924 votes were cast in favor of election, 24,859 votes were cast against election and there were no abstentions; for Charles L. Crittenden, Class A and Class C shares, 7,855,702 votes were cast in favor of election and 10,745 votes were cast against election and there were no abstentions; for Dr. Robert G. Hunter, Class A and Class C shares, 7,858,534 votes were cast in favor of election, 7,913 votes cast against election and there were no abstentions; for H. Craig Moody, Class A shares only, 2,535,888 votes were cast in favor of election, 8,895 votes cast against election and there were no abstentions; for Norman G. Wilbur, Class A and Class C shares, 7,858,590 votes were cast in favor of election, 7,857 votes were cast against election and there were no abstentions; and (ii) the appointment of Tanner + Co., as the Company's independent accountants for the fiscal year ended December 31, 2002, was ratified (with 7,861,821 votes cast for appointment, 4,488 votes against appointment and 5,208 abstentions).

Item 5. Other Information

NONE

Item 6. Exhibits and Reports on Form 8-K

(a)(3) Exhibits:

- 3.A. Articles of Restatement of Articles of Incorporation (8)
- B. Bylaws (1)

- 4.A. Specimen Class A Stock Certificate (1)
- B. Specimen Class C Stock Certificate (1)
- C. Specimen Preferred Stock Certificate and Certificate of Designation of Preferred Stock (1)

10.
 - A. Restated and Amended Employee Stock Ownership Plan and Trust Agreement (1)
 - B. Deferred Compensation Agreement with George R. Quist (2)
 - C. 1993 Stock Option Plan (3)
 - D. 2000 Director Stock Option Plan (12)
 - E. Promissory Note with Key Bank of Utah (4)
 - F. Loan and Security Agreement with Key Bank of Utah (4)
 - G. General Pledge Agreement with Key Bank of Utah (4)
 - H. Note Secured by Purchase Price Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (5)
 - I. Deed of Trust and Assignment of Rents with the Carter Family Trust and the Leonard M. Smith Family Trust (5)
 - J. Promissory Note with Page and Patricia Greer (6)
 - K. Pledge Agreement with Page and Patricia Greer (6)
 - L. Promissory Note with Civil Service Employees Insurance Company (7)
 - M. Deferred Compensation Agreement with William C. Sargent (8)
 - N. Employment Agreement with Scott M. Quist. (8)
 - O. Acquisition Agreement with Consolidare Enterprises, Inc., and certain shareholders of Consolidare. (9)
 - P. Agreement and Plan of Merger between Consolidare Enterprises, Inc., and SSLIC Holding Company. (10)
 - Q. Administrative Services Agreement with Southern Security Life Insurance Company. (11)
 - R. Promissory Note with George R. Quist (13)
 - S. Deferred Compensation Plan (14)

- (1) Incorporated by reference from Registration Statement on Form S-1, as filed on June 29, 1987.
- (2) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1989.
- (3) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1994.
- (4) Incorporated by reference from Report on Form 8-K, as filed on February 24, 1995.
- (5) Incorporated by reference from Annual Report on Form 10K, as filed on March 31, 1995.
- (6) Incorporated by reference from Report on Form 8-K, as filed on May 1, 1995.
- (7) Incorporated by reference from Report on Form 8-K, as filed on January 16, 1996.
- (8) Incorporated by reference from Annual Report on Form 10-K, as filed on March 31, 1998.
- (9) Incorporated by reference from Report on Form 8-K, as filed on May 11, 1998.
- (10) Incorporated by reference from Report on Form 8-K, as filed on January 4, 1999.
- (11) Incorporated by reference from Report on Form 8-K, as filed on March 4, 1999.
- (12) Incorporated by reference from Schedule 14A Definitive Proxy Statement, filed August 29, 2000, relating to the Company's Annual Meeting of Shareholders.
- (13) Incorporated by reference from Report on Form 10-K, as filed on April 16, 2001.
- (14) Incorporated by reference from Report on Form 10-K, as filed on April 3, 2002.

99.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

21. Subsidiaries of the Registrant

(b) Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REGISTRANT
SECURITY NATIONAL FINANCIAL CORPORATION
Registrant

DATED: November 14, 2002

By: George R. Quist,

Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

DATED: November 14, 2002

By: Stephen M. Sill

Vice President
Treasurer and Chief
Financial Officer (Principal
Financial and Accounting Officer)

CERTIFICATIONS

I, George R. Quist, certify that:

1. I have reviewed this quarterly Report on Form 10-Q of Security National Financial Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

By: George R. Quist
Chairman of the Board,
Chief Executive Officer

CERTIFICATIONS

I, Stephen M. Sill, certify that:

1. I have reviewed this quarterly Report on Form 10-Q of Security National Financial Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

By: Stephen M. Sill
Vice President, Treasurer and
Chief Financial Officer

EXHIBIT 99.1
CERTIFICATION PURSUANT TO
18 U.S.C. ss. 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10Q for the period ending September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George R. Quist, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

George R. Quist
Chief Executive Officer
November 14, 2002

EXHIBIT 99.2
CERTIFICATION PURSUANT TO
18 U.S.C. ss. 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Security National Financial Corporation (the "Company") on Form 10Q for the period ending September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen M. Sill, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Stephen M. Sill
Chief Financial Officer
November 14, 2002

