

REFINITIV

DELTA REPORT

10-Q

CIA - CITIZENS, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated


TOTAL DELTAS	1421
CHANGES	267
DELETIONS	724
ADDITIONS	430

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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended **September 30, 2023** **March 31, 2024**
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from to
COMMISSION FILE NUMBER: 000-16509

citizens_logoonly_cmyk.jpg

CITIZENS, INC.

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction of incorporation or organization)

84-0755371

(I.R.S. Employer Identification No.)

11815 Alterra Pkwy, Floor 15, Austin, TX 78758
(Current Address)

Registrant's telephone number, including area code: (512) 837-7100

Securities registered pursuant to Section 12(b) of the Act

Class A Common Stock

(Title of each class)

CIA

(Trading symbol(s))

NYSE

(Name of each exchange on which registered)

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. x Yes o No

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

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

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. o

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

As of **November 1, 2023** **May 1, 2024**, the Registrant had **49,552,549** **49,633,705** shares of Class A common stock outstanding.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

Page Number

Part I. FINANCIAL INFORMATION

Item 1.	Financial Statements	
	Consolidated Balance Sheets, September 30, 2023, March 31, 2024 (Unaudited) and December 31, 2022 (Unaudited) December 31, 2023	2
	Consolidated Statements of Operations and Comprehensive Income (Loss), Three & Nine Months Ended September 30, 2023, March 31, 2024 and 2022 2023 (Unaudited)	4
	Consolidated Statements of Stockholders' Equity, Nine Three Months Ended September 30, 2023, March 31, 2024 and 2022 2023 (Unaudited)	5
	Consolidated Statements of Cash Flows, Nine Three Months Ended September 30, 2023, March 31, 2024 and 2022 2023 (Unaudited)	7 6
	Notes to Consolidated Financial Statements (Unaudited)	9 8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	43 32
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	65 52
Item 4.	Controls and Procedures	65 52

Part II. OTHER INFORMATION

Item 1.	Legal Proceedings	66 53
Item 1A.	Risk Factors	66 53
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	66 53
Item 3.	Defaults Upon Senior Securities	66 53
Item 4.	Mine Safety Disclosures	66 53
Item 5.	Other Information	66 54
Item 6.	Exhibits	67 54

September 30, 2023 March 31, 2024 | 10-Q 1

[Table of Contents](#)

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets
(Unaudited)

(In thousands)

September 30, 2023

December 31, 2022

Assets

Investments:

Fixed maturity securities available-for-sale, at fair value (amortized cost: \$1,389,390 and \$1,381,318 in 2023 and 2022, respectively)	\$	1,151,353	1,179,619
Equity securities, at fair value		10,555	11,590
Policy loans		75,750	78,773
Other long-term investments (portion measured at fair value \$79,535 and \$66,846 in 2023 and 2022, respectively)		79,798	69,558
Short-term investments		—	1,241
Total investments		1,317,456	1,340,781
Cash and cash equivalents		16,785	22,973
Accrued investment income		17,123	17,131
Reinsurance recoverable		3,782	4,560
Deferred policy acquisition costs		171,417	162,927
Cost of insurance acquired		10,182	10,647
Current federal income tax receivable		—	601
Property and equipment, net		12,009	12,926
Due premiums		9,661	11,829
Other assets (less allowance for losses of \$357 and \$347 in 2023 and 2022, respectively)		6,225	6,328
Total assets	\$	1,564,640	1,590,703

(In thousands)	March 31, 2024	December 31, 2023
	(Unaudited)	
Assets:		
Investments:		
Fixed maturity securities available-for-sale, at fair value (amortized cost: \$1,397,074 and \$1,389,038 in 2024 and 2023, respectively)	\$ 1,234,048	1,238,981
Equity securities, at fair value	5,419	5,282
Policy loans	75,274	75,359
Other long-term investments (portion measured at fair value \$84,853 and \$82,460 in 2024 and 2023, respectively)	85,118	82,725
Total investments	1,399,859	1,402,347
Cash and cash equivalents	23,242	26,997
Accrued investment income	17,290	17,360
Reinsurance recoverable	4,208	3,991
Deferred policy acquisition costs	180,061	175,768
Cost of insurance acquired	9,871	10,043
Current federal income tax receivable	192	1,546
Property and equipment, net	11,408	11,809
Due premiums	9,880	11,264
Other assets (less allowance for losses of \$431 and \$408 in 2024 and 2023, respectively)	9,652	7,803
Total assets	\$ 1,665,663	1,668,928

See accompanying Notes to Consolidated Financial Statements.

September 30, 2023 March 31, 2024 | 10-Q 2

[Table of Contents](#)

CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES
Consolidated Balance Sheets, Continued
(Unaudited)

(In thousands, except share amounts) (In thousands, except share amounts) **September 30, 2023** **December 31, 2022**

Liabilities and Stockholders' Equity

(In thousands, except share amounts)

(In thousands, except share amounts)

March 31, 2024

December 31, 2023

(Unaudited)

Liabilities and Stockholders' Equity:

Liabilities and Stockholders' Equity:

Liabilities and Stockholders' Equity:

Liabilities:

Liabilities:

Liabilities:

Liabilities:

Policy liabilities:

Policy liabilities:

Policy liabilities:

Future policy benefit reserves:

Future policy benefit reserves:

Future policy benefit reserves:

Life insurance

Life insurance

\$1,147,601 1,198,647

Accident and health insurance

Accident and health insurance

877 767

Total future policy benefit reserves

Total future policy benefit reserves

1,148,478 1,199,414

Policyholders' funds:

Policyholders' funds:

Annuities

Annuities

129,909 121,422

Annuities

Annuities

Dividend accumulations

Dividend accumulations

44,102 41,663

Premiums paid in advance

Premiums paid in advance

35,453 36,384

Policy claims payable

Policy claims payable

5,943 9,884

Other policyholders' funds

Other policyholders' funds

7,218 7,501

Total policyholders' funds

Total policyholders' funds

222,625 216,854

Total policy liabilities

Total policy liabilities

1,371,103 1,416,268

Commissions payable

Commissions payable

1,681 1,967

Current federal income tax payable

652 —

Deferred federal income tax liability

Deferred federal income tax liability

Deferred federal income tax liability

Deferred federal income tax liability

2,097 3,653

Payable for securities in process of settlement	Payable for securities in process of settlement	250	—
Other liabilities	Other liabilities	36,110	41,025
Total liabilities	Total liabilities	1,411,893	1,462,913
Commitments and contingencies (Note 7)	Commitments and contingencies (Note 7)	Commitments and contingencies (Note 7)	
Stockholders' Equity:	Stockholders' Equity:	Stockholders' Equity:	
Common stock:	Common stock:		
Class A, no par value, 100,000,000 shares authorized, 53,880,359 and 53,758,176 shares issued and outstanding in 2023 and 2022, respectively, including shares in treasury of 4,261,005 in 2023 and 3,935,581 in 2022		268,423	268,147
Class B, no par value, 2,000,000 shares authorized, 1,001,714 shares issued and outstanding in 2023 and 2022, including shares in treasury of 1,001,714 in 2023 and 2022		3,184	3,184
Class A, no par value, 100,000,000 shares authorized, 53,900,208 and 53,882,661 shares issued and outstanding in 2024 and 2023, respectively, including shares in treasury of 4,327,810 in 2024 and 2023			
Class A, no par value, 100,000,000 shares authorized, 53,900,208 and 53,882,661 shares issued and outstanding in 2024 and 2023, respectively, including shares in treasury of 4,327,810 in 2024 and 2023			
Class A, no par value, 100,000,000 shares authorized, 53,900,208 and 53,882,661 shares issued and outstanding in 2024 and 2023, respectively, including shares in treasury of 4,327,810 in 2024 and 2023			
Class B, no par value, 2,000,000 shares authorized, 1,001,714 shares issued and outstanding in 2024 and 2023, including shares in treasury of 1,001,714 in 2024 and 2023			

Retained earnings	Retained earnings	31,332	16,309
Accumulated other comprehensive income (loss)	Accumulated other comprehensive income (loss)	(126,667)	(137,044)
Treasury stock, at cost	Treasury stock, at cost	(23,525)	(22,806)
Total stockholders' equity	Total stockholders' equity	152,747	127,790
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$1,564,640	1,590,703

See accompanying Notes to Consolidated Financial Statements.

September 30, 2023 March 31, 2024 | 10-Q 3

[Table of Contents](#)

CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)

		Three Months Ended					
		Three Months Ended		Nine Months Ended			
		Three Months Ended		September 30,		September 30,	
		Three Months Ended		March 31,		March 31,	
(In thousands, except per share amounts)		(In thousands, except per share amounts)		(In thousands, except per share amounts)		(In thousands, except per share amounts)	
		2023	2022	2023	2022	2024	2023
Revenues:	Revenues:						
Premiums:	Premiums:						
Premiums:	Premiums:						
Life insurance	Life insurance	\$41,794	42,423	118,020	120,930		
Accident and health insurance	Accident and health insurance	296	299	1,201	865		
Property insurance	Property insurance	(64)	1,153	780	3,668		
Net investment income	Net investment income	17,372	16,604	51,687	47,983		
Investment related gains (losses), net	Investment related gains (losses), net	(892)	(4,991)	(477)	(10,589)		

Other income	Other income	884	688	2,620	2,410
Total revenues	Total revenues	59,390	56,176	173,831	165,267
Benefits and Expenses:	Benefits and Expenses:	Benefits and Expenses:			
Insurance benefits paid or provided:	Insurance benefits paid or provided:	Insurance benefits paid or provided:			
Claims and surrenders	Claims and surrenders	37,723	30,729	100,798	86,260
Increase (decrease) in future policy benefit reserves	Increase (decrease) in future policy benefit reserves	(3,880)	653	(5,802)	4,497
Policyholder liability remeasurement (gain) loss	Policyholder liability remeasurement (gain) loss	1,024	396	2,860	1,731
Policyholders' dividends	Policyholders' dividends	1,414	1,389	3,783	4,257
Total insurance benefits paid or provided	Total insurance benefits paid or provided	36,281	33,167	101,639	96,745
Commissions	Commissions	9,444	9,210	27,340	25,807
Commissions					
Commissions					
Other general expenses	Other general expenses	11,949	11,559	35,477	32,989
Capitalization of deferred policy acquisition costs	Capitalization of deferred policy acquisition costs	(7,132)	(6,372)	(20,034)	(17,337)
Amortization of deferred policy acquisition costs	Amortization of deferred policy acquisition costs	4,056	3,624	11,544	10,651
Amortization of cost of insurance acquired	Amortization of cost of insurance acquired	151	166	465	446
Total benefits and expenses	Total benefits and expenses	54,749	51,354	156,431	149,301
Income (loss) before federal income tax		4,641	4,822	17,400	15,966
Federal income tax expense (benefit)		1,943	1,415	3,704	3,618
Net income (loss)		2,698	3,407	13,696	12,348
Income before federal income tax					
Federal income tax expense					
Net income					
Per Share Amounts:	Per Share Amounts:				
Basic earnings (losses) per share of Class A common stock		0.06	0.07	0.28	0.25
Diluted earnings (losses) per share of Class A common stock		0.05	0.06	0.27	0.24
Per Share Amounts:					
Per Share Amounts:					
Basic and diluted earnings per share of Class A common stock					

Other Comprehensive Income (Loss):					
Other Comprehensive Income (Loss):					
Other Comprehensive Income (Loss):	Other Comprehensive Income (Loss):				
Unrealized gains (losses) on fixed maturity securities:	Unrealized gains (losses) on fixed maturity securities:				
Unrealized gains (losses) on fixed maturity securities:	Unrealized gains (losses) on fixed maturity securities:				
Unrealized gains (losses) on fixed maturity securities:	Unrealized gains (losses) on fixed maturity securities:				
Unrealized holding gains (losses) arising during period	Unrealized holding gains (losses) arising during period	(59,817)	(88,382)	(36,811)	(340,678)
Reclassification adjustment for losses (gains) included in net income (loss)	Reclassification adjustment for losses (gains) included in net income (loss)	419	43	481	78
Reclassification adjustment for losses (gains) included in net income	Reclassification adjustment for losses (gains) included in net income				
Unrealized gains (losses) on fixed maturity securities, net	Unrealized gains (losses) on fixed maturity securities, net	(59,398)	(88,339)	(36,330)	(340,600)
Change in current discount rate for liability for future policy benefits	Change in current discount rate for liability for future policy benefits	60,054	73,214	45,825	345,258
Income tax expense (benefit) on other comprehensive income items	Income tax expense (benefit) on other comprehensive income items	(1,040)	(184)	(882)	6,162
Other comprehensive income (loss)	Other comprehensive income (loss)	1,696	(14,941)	10,377	(1,504)
Total comprehensive income (loss)	Total comprehensive income (loss)	\$ 4,394	(11,534)	24,073	10,844

See accompanying Notes to Consolidated Financial Statements.

September 30, 2023 March 31, 2024 | 10-Q 4

[Table of Contents](#)

CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

(Unaudited)

		Common Stock						Retained Earnings	Accumulated Other	Treasury	Total
								(Accumulated	Comprehensive	Stock	Stockholders' Equity
								Deficit)	Income (Loss)		
								</			

¹ See [Note 10 - Income Taxes](#) for details.

Balance at December 31, 2022	\$	268,147	3,184	16,309	(137,044)	(22,806)	127,790
Comprehensive income (loss):							
Net income		—	—	4,872	—	—	4,872
Other comprehensive income (loss)		—	—	—	21,579	—	21,579
Total comprehensive income (loss)		—	—	4,872	21,579	—	26,451
Stock-based compensation		50	—	—	—	—	50

Balance at March 31, 2023	\$	268,197	3,184	21,181	(115,465)	(22,806)	154,291
---------------------------	----	---------	-------	--------	-----------	----------	---------

See accompanying Notes to Consolidated Financial Statements.

September 30, 2023 March 31, 2024 | 10-Q 5

[Table of Contents](#)

CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Stockholders' Equity, Continued
(Unaudited)

(In thousands)	Common Stock		Retained Earnings	Accumulated Other	Treasury	Total
	Class A	Class B	(Accumulated Deficit)	Comprehensive Income (Loss)	Stock	Stockholders' Equity
Balance at December 31, 2021	\$ 265,561	3,184	(9,698)	(138,989)	(20,101)	99,957
Comprehensive income (loss):						
Net income (loss)	—	—	6,449	—	—	6,449
Other comprehensive income (loss)	—	—	—	17,189	—	17,189
Total comprehensive income (loss)	—	—	6,449	17,189	—	23,638
Issuance of common stock	1,788	—	—	—	—	1,788
Stock-based compensation	93	—	—	—	—	93
Balance at March 31, 2022	267,442	3,184	(3,249)	(121,800)	(20,101)	125,476
Comprehensive income (loss):						
Net income (loss)	—	—	2,492	—	—	2,492
Other comprehensive income (loss)	—	—	—	(3,752)	—	(3,752)
Total comprehensive income (loss)	—	—	2,492	(3,752)	—	(1,260)
Issuance of common stock	455	—	—	—	—	455
Acquisition of treasury stock	—	—	—	—	(1,300)	(1,300)
Stock-based compensation	(47)	—	—	—	—	(47)
Balance at June 30, 2022	267,850	3,184	(757)	(125,552)	(21,401)	123,324
Comprehensive income (loss):						
Net income (loss)	—	—	3,407	—	—	3,407
Other comprehensive income (loss)	—	—	—	(14,941)	—	(14,941)
Total comprehensive income (loss)	—	—	3,407	(14,941)	—	(11,534)
Acquisition of treasury stock	—	—	—	—	(883)	(883)
Stock-based compensation	138	—	—	—	—	138
Balance at September 30, 2022	\$ 267,988	3,184	2,650	(140,493)	(22,284)	111,045

See accompanying Notes to Consolidated Financial Statements.

September 30, 2023 | 10-Q 6

[Table of Contents](#)

CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

Nine Months Ended September 30, (In thousands)		2023	2022		
Three Months Ended March 31, (In thousands)				Three Months Ended March 31, (In thousands)	
				2024	2023
Cash flows from operating activities:	Cash flows from operating activities:				
Net income (loss)		\$13,696	12,348		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Investment related (gains) losses on sale of investments and other assets		477	10,589		
Net income					
Net income					
Net income					
Adjustments to reconcile net income to net cash provided by operating activities:					
Investment related (gains) losses on sale of investments and other assets, net					
Net deferred policy acquisition costs	Net deferred policy acquisition costs	(8,490)	(6,686)		
Amortization of cost of insurance acquired	Amortization of cost of insurance acquired	465	446		
Depreciation	Depreciation	380	413		
Amortization of premiums and discounts on investments	Amortization of premiums and discounts on investments	3,761	3,456		
Stock-based compensation	Stock-based compensation	333	300		
Deferred federal income tax expense (benefit)	Deferred federal income tax expense (benefit)	652	1,623		
Change in:	Change in:				
Accrued investment income	Accrued investment income	8	(418)		

Reinsurance recoverable	Reinsurance recoverable	778	2,054
Due premiums	Due premiums	2,168	197
Future policy benefit reserves	Future policy benefit reserves	(5,111)	3,993
Other policyholders' liabilities	Other policyholders' liabilities	8,156	3,222
Federal income tax payable	Federal income tax payable	1,253	2,754
Commissions payable and other liabilities	Commissions payable and other liabilities	(3,116)	6,367
Other, net	Other, net	34	(895)

Net cash provided by (used in) operating activities	15,444	39,763
---	--------	--------

Net cash provided by operating activities		
---	--	--

Cash flows from investing activities:	Cash flows from investing activities:	
---------------------------------------	---------------------------------------	--

Purchases of fixed maturity securities, available-for-sale	Purchases of fixed maturity securities, available-for-sale	(50,077)	(102,348)
Sales of fixed maturity securities, available-for-sale	Sales of fixed maturity securities, available-for-sale	13,690	30,348
Maturities and calls of fixed maturity securities, available-for-sale	Maturities and calls of fixed maturity securities, available-for-sale	23,128	37,890
Sales of equity securities	Sales of equity securities	770	—

Principal payments on mortgage loans	Principal payments on mortgage loans	6	1,097
--------------------------------------	--------------------------------------	---	-------

Principal payments on mortgage loans			
--------------------------------------	--	--	--

Principal payments on mortgage loans			
--------------------------------------	--	--	--

(Increase) decrease in policy loans, net			
(Increase) decrease in policy loans, net			

(Increase) decrease in policy loans, net	(Increase) decrease in policy loans, net	3,023	2,222
Sales of other long-term investments	Sales of other long-term investments	3,793	4,130

Cash flows from investing activities:

Purchases of other long-term investments	Purchases of other long-term investments	(13,262)	(18,150)
Purchases of property and equipment	Purchases of property and equipment	(292)	(76)
Maturities of short-term investments		750	—
Purchases of short-term investments		—	(1,250)

Purchases of property and equipment		
Purchases of property and equipment		
Net cash provided by (used in) investing activities	(18,471)	(46,137)
Net cash used in investing activities		
Net cash used in investing activities		
Net cash used in investing activities		

See accompanying Notes to Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements.

September 30, 2023 March 31, 2024 | 10-Q 7 6

[Table of Contents](#)

CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES Consolidated Statements of Cash Flows, Continued (Unaudited)

Nine Months Ended September 30, (In thousands)		2023	2022
Three Months Ended March 31, (In thousands)			
Three Months Ended March 31, (In thousands)			
Three Months Ended March 31, (In thousands)			
		2024	2023
Cash flows from financing activities:	Cash flows from financing activities:	Cash flows from financing activities:	
Annuity deposits	Annuity deposits	\$ 5,443	6,777
Annuity withdrawals	Annuity withdrawals	(7,828)	(6,634)
Acquisition of treasury stock		(719)	(2,183)
Issuance of common stock		—	2,244
Other	Other	(57)	(117)
Net cash provided by (used in) financing activities		(3,161)	87

Net increase (decrease) in cash and cash equivalents		(6,188)	(6,287)
Other			
Other			
Net cash used in financing activities			
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year	Cash and cash equivalents at beginning of year	22,973	27,294
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	\$16,785	21,007

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:

During the nine three months ended September 30, 2023 and 2022, March 31, 2023, various fixed maturity issuers exchanged securities with book values of \$5.4 million and \$6.1 million, respectively, \$2.1 million for securities of equal value, value while none were exchanged during the three months ended March 31, 2024.

The Company had \$0.3 million \$1.4 million of net unsettled security trades at September 30, 2023 March 31, 2024 and none at September 30, 2022.

The Company recognized \$36 thousand right-of-use assets in exchange for new operating lease liabilities during the nine months ended September 30, 2023 and \$0.4 million during the nine months ended September 30, 2022 March 31, 2023.

See accompanying Notes to Consolidated Financial Statements.

September 30, 2023 March 31, 2024 | 10-Q 8 7

[Table of Contents](#)

(1) FINANCIAL STATEMENTS

BASIS OF PRESENTATION AND CONSOLIDATION

The consolidated financial statements include the accounts and operations of Citizens, Inc. ("Citizens" or the "Company"), a Colorado corporation, and its wholly-owned subsidiaries, CICA Life Insurance Company of America ("CICA" CICA Domestic"), CICA Life Ltd. ("CICA International" Bermuda), CICA Life A.I., a Puerto Rico company ("CICA PR"), Citizens National Life Insurance Company ("CNLIC" International), Security Plan Life Insurance Company ("SPLIC"), Security Plan Fire Insurance Company ("SPFIC"), Magnolia Guaranty Life Insurance Company ("MGLIC"), Computing Technology, Inc. ("CTI"), Nexo Enrollment Services LLC, a Puerto Rico service company ("NES") and Nexo Global Services LLC, a Puerto Rico holding company ("Nexo"). All significant inter-company accounts and transactions have been eliminated. Citizens and its wholly-owned subsidiaries are collectively referred to as the "Company," "it," "we," "us" or "our".

The consolidated balance sheet as of September 30, 2023 March 31, 2024, the consolidated statements of operations and comprehensive income (loss) and stockholders' equity for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 and the consolidated statements of cash flows for the nine three

months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 have been prepared by the Company without audit and are not subject to audit. In the opinion of management, all normal and recurring adjustments to present fairly the financial position, results of operations, and changes in cash flows at September 30, 2023 March 31, 2024 and for comparative periods have been made. The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q adopted by the Securities and Exchange Commission ("SEC"). Accordingly, the consolidated financial statements do not include all the information and footnotes required for complete financial statements and should be read in conjunction with the Company's consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 ("Form 10-K"). Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

Our Life Insurance segment operates through CICA PR International and CICA CICA Domestic. Until December 31, 2022, our international life insurance business operated through CICA International. Bermuda. Beginning January 1, 2023, all new international policies are issued by CICA PR. International. These companies provide U.S. dollar-denominated endowment contracts internationally, which are principally accumulation contracts that incorporate an element of life insurance protection and ordinary whole life insurance in U.S. dollar-denominated amounts sold to non-U.S. residents. These contracts are designed to provide a fixed amount of insurance coverage over the life of the insured and may utilize rider benefits to provide additional increasing or decreasing coverage and annuity benefits to enhance accumulations. On August 31, 2023, CICA International Bermuda transferred all of its insurance in force business to CICA PR. International. Prior to July 1, 2023, our domestic life insurance business operated through CICA Domestic and CNLIC. Citizens National Life Insurance Company ("CNLIC"). CICA Domestic issues ordinary whole life, final expense, life products with living benefits, critical illness, and credit life and disability policies throughout the U.S. and CNLIC issued ordinary whole life and critical illness policies through June 30, 2023. CNLIC merged into CICA Domestic on July 1, 2023.

Our Home Service Insurance segment operates through our subsidiaries SPLIC, MGLIC and SPFIC, and focuses on the life insurance needs of the middle- and lower-income markets, primarily in Louisiana, Mississippi and Arkansas. Our products in this segment consist primarily of small face amount ordinary whole life, industrial life and pre-need policies, which are designed to fund final expenses for the insured, primarily consisting of funeral and burial costs as well as critical illness and property insurance policies, which cover dwelling and contents. As of June 30, 2023, the Company ceased all operations for SPFIC.

CTI provides data processing systems and services to the Company. NES provides services to policyholders of CICA International.

March 31, 2024 | 10-Q 8

[Table of Contents](#)

CITIZENS, INC.	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
	(Unaudited)
USE OF ESTIMATES	

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent

September 30, 2023 | 10-Q 9

[Table of Contents](#)

CITIZENS, INC.	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
	(Unaudited)
assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those these estimates.	

Significant estimates include those used in the evaluation of credit allowances losses on fixed maturity securities, valuation allowances on deferred tax assets, actuarially determined assets and liabilities and assumptions and valuation allowance on deferred tax assets, contingencies related to litigation and regulatory matters. Certain of these estimates are particularly sensitive to market conditions, and deterioration and/or volatility in the worldwide debt or equity markets could have a material impact on the consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

For a description of all significant accounting policies, see Part IV, Item 15, Note 1. Summary of Significant Accounting Policies in the notes to our consolidated financial statements included in our Form 10-K, which should be read in conjunction with these accompanying consolidated financial statements.

DEFERRED POLICY ACQUISITION COSTS

Deferred policy acquisition costs ("DAC") are costs that are incremental and directly related to the successful acquisition of new or renewal insurance contracts. Such costs include the incremental direct costs of contract acquisition, such as sales commissions; the portion of employees' total compensation and payroll-related fringe benefits related directly to time spent performing acquisition activities, such as underwriting, issuing, and processing policies for contracts that have actually been acquired; and other costs related directly to acquisition activities that would not have been incurred if the contract had not been acquired.

Contracts are grouped by contract type and issue year into cohorts consistent with the grouping used in estimating the associated liability. DAC is amortized on a constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. For the Life Insurance segment, the constant level basis used is policy count in force. For the Home Service Insurance segment, the constant level basis used is face amount in force. The constant level bases used for amortization are projected using mortality and lapse assumptions that are based on the Company's experience, industry data, and other factors at the end of each reporting period and are consistent with those used for the liability for future policy benefit life reserves. Annually, the Company completes experience studies with respect to mortality and lapse. If those assumptions are updated, the DAC amortization basis is recalculated and the effect of the assumption change will be reflected in the cohort level amortization in future periods.

Amortization of DAC is included in the consolidated statements of comprehensive income or loss. The DAC balance on the consolidated balance sheets is reduced for actual experience in excess of expected experience. Changes in future estimates are recognized prospectively over the remaining expected contract term.

COST OF INSURANCE ACQUIRED

The Company recognizes an intangible asset that arises in the application of U.S. GAAP purchase accounting as the difference between the reported value and the fair value of insurance contract liabilities, or comparable amounts determined in purchased insurance business combinations. This intangible asset is referred to as the Cost of Insurance Acquired ("COIA"), which is amortized on a basis consistent with DAC, such that it is amortized in proportion to policies in force for the Life Insurance segment and face amount in force for the Home Service Insurance segment to approximate straight-line amortization.

FUTURE POLICY BENEFITS AND EXPENSES

As premium revenue is recognized, a liability for future policy benefits, which is the present value of estimated future policy benefits to be paid to or on behalf of policyholders less the present value of estimated future net premiums to be collected from policyholders, is accrued. The liability is estimated using current assumptions that include discount rate, mortality and lapses. These current assumptions are based on judgements that consider the Company's historical experience, industry data, and other factors.

September 30, 2023 | 10-Q 10

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Our traditional and limited-payment contracts are grouped into cohorts by contract type and issue year. Our reporting cohorts are (i) Permanent, which summarizes insurance policies with premiums payable over the lifetime of the policy, and (ii) Permanent Limited Pay, which summarizes insurance policies with premiums payable for a limited time after which the policy is fully paid up. Both reporting cohorts include whole life and endowment policies. The liability is adjusted for differences between actual and expected experience. The Company reviews its historical cash flow assumptions quarterly and in the third quarter of the year, the Company reviews its future cash flow assumptions. The net premium ratio used to calculate the liability is updated each quarter based on the current period's actual experience relative to expected experience. The revised net premium ratio is used to derive an updated liability for future policy benefits as of the beginning of the current reporting period, discounted at the locked-in discount rate. This amount is then compared to the carrying amount of the liability as of that same date, before the updating of cash flow assumptions, to determine the current period change in liability estimate. The current period change in the liability is the policyholder liability remeasurement gain or loss and is presented as a separate component of total insurance benefits paid or provided in the consolidated statements of comprehensive income or loss. In subsequent periods, the revised net premiums are used to measure the liability for future policy benefits, subject to future revisions.

For traditional and limited-payment contracts, the current discount rate assumption is a yield curve that equals the yield of an upper-medium grade fixed income instrument, based on an A-quality corporate bonds. The Company selects fixed-income instruments that have been A rated by one of the major credit rating agencies, such as Moody's, Standard & Poor's, or Fitch. The current discount rate assumption is updated quarterly and used to remeasure the liability at the reporting date, with the resulting change reflected in other comprehensive income. For liability cash flows that are projected beyond the duration of market-observable A credit-rated fixed-income instruments, the Company uses the last market-observable yield level and uses linear interpolation to determine yield assumptions for durations that do not have market observable yields. The locked-in discount rate for policies issued prior to transition equals the rate set at contract issuance. For current year issues, the locked-in discount rate is the average of the current year quarterly discount rates and will change throughout the year as new discount rates are calculated, with the change reflected in net income.

DEFERRED PROFIT LIABILITY

For limited-payment products, gross premiums received in excess of net premiums are deferred at initial recognition as a deferred profit liability ("DPL"). Gross premiums are measured using assumptions consistent with those used in the measurement of the liability for future policy benefit life reserves, including discount rate, mortality and lapses.

The DPL is amortized and recognized in net income within the increase in future policy benefit reserves. The amortization basis for the DPL is the present value of insurance in force for life insurance contracts. Interest is accreted on the balance of the DPL using the locked-in discount rate. The Company reviews and updates its estimates of cash flows for the DPL at the same time as the estimates of cash flows for the liability for future policy benefit life reserves. The DPL is updated each quarter based on the current period's actual

experience relative to expected experience with the changes recorded within the increase in future policy benefit reserves in the consolidated statements of comprehensive income or loss. On the consolidated balance sheets, DPL is recorded as a component of the liability for future policy benefits.

September 30, 2023 | 10-Q 11

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(2) ACCOUNTING PRONOUNCEMENTS

ACCOUNTING STANDARDS RECENTLY ADOPTED

Impacts at Transition Date

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2018-12, *Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. The Company adopted ASU 2018-12 for the liability for future policy benefits, DAC and COIA on a modified retrospective basis such that those balances were adjusted to conform to ASU 2018-12 effective January 1, 2021. The following table summarizes the balance of and changes in the liability for future policy benefits, annuity reserves, DAC and COIA due to the adoption of ASU 2018-12.

(In thousands)	Life Insurance	Home Service Insurance	Consolidated
Liability for Future Policy Benefits			
Pre-adoption liability as of 12/31/2020	\$ 987,373	255,513	1,242,886
Change in discount rate assumptions	261,823	108,468	370,291
Effect of reserve changes	6	96	102
Post-adoption liability as of 1/1/2021	\$ 1,249,202	364,077	1,613,279
Fixed Annuity Liability			
Pre-adoption liability as of 12/31/2020	\$ 60,027	18,277	78,304
Adjustments for the removal of shadow adjustments	—	3,426	3,426
Post-adoption liability as of 1/1/2021	\$ 60,027	21,703	81,730
Deferred Acquisition Costs			
Pre-adoption balance as of 12/31/2020	\$ 94,771	10,142	104,913
Adjustments for the removal of shadow adjustments	8,270	29,905	38,175
Impact of flooring cohorts at zero	23	12	35
Post adoption balance as of 1/1/2021	\$ 103,064	40,059	143,123
Cost of Insurance Acquired			
Pre-adoption balance as of 12/31/2020	\$ 1,734	9,807	11,541
Adjustments for the removal of shadow adjustments	—	484	484
Post adoption balance as of 1/1/2021	\$ 1,734	10,291	12,025

At transition, the Company recorded a charge of \$0.1 million to retained earnings, net of tax, primarily from capping net premium ratios for certain policyholder benefit cohorts at 100%, increasing reserves for certain non-premium paying cohorts and flooring certain DAC cohorts at zero. Other comprehensive income ("OCI") was reduced by \$316.8 million primarily due to the difference in the discount rate used prior to transition and the discount rate at January 1, 2021. The Company also removed shadow adjustments previously recorded in OCI for the impact of unrealized gains and losses on annuity products that previously amortized unearned revenue, DAC and COIA over expected future gross profits.

September 30, 2023 | 10-Q 12

CITIZENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Impacts to Previously Reported Results

Adoption of the standard impacted our previously reported consolidated financial results as follows:

<i>(In thousands)</i>	As Previously Reported	Adoption of New Standard	Post Adoption
As of December 31, 2022			
Consolidated Balance Sheet			
Deferred policy acquisition costs	\$ 140,167	22,760	162,927
Cost of insurance acquired	10,260	387	10,647
Deferred tax asset, net	2,414	(2,414)	—
Total assets	1,569,970	20,733	1,590,703
Future policy benefit reserves:			
Life insurance	1,305,506	(106,859)	1,198,647
Annuities	91,234	(91,234)	—
Policyholders' funds:			
Annuities	—	121,422	121,422
Other policyholders' funds	40,497	(32,996)	7,501
Deferred federal income tax liability	—	3,653	3,653
Total liabilities	1,568,927	(106,014)	1,462,913
Retained earnings (accumulated deficit)	(52,203)	68,512	16,309
Accumulated other comprehensive income (loss)	(195,279)	58,235	(137,044)
Total stockholders' equity	1,043	126,747	127,790

September 30, 2023 | 10-Q 13

CITIZENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

<i>(In thousands, except per share amounts)</i>	As Previously Reported	Adoption of New Standard	Post Adoption
For the Three Months Ended September 30, 2022			
Consolidated Statement of Operations			
Increase (decrease) in future policy benefit reserves	\$ 7,090	(6,437)	653
Policyholder liability remeasurement (gain) loss	—	396	396
Amortization of deferred policy acquisition costs	7,082	(3,458)	3,624
Amortization of cost of insurance acquired	276	(110)	166
Federal income tax expense (benefit)	344	1,071	1,415
Net income (loss)	(5,131)	8,538	3,407
Basic earnings (losses) per share of Class A common stock	(0.10)	0.17	0.07
Diluted earnings (losses) per share of Class A common stock	(0.10)	0.16	0.06
Consolidated Statement of Comprehensive Income (Loss)			
Unrealized holding gains (losses) arising during period	\$ (89,713)	1,331	(88,382)

Change in current discount rate for liability for future policy benefits	—	73,214	73,214
Income tax expense (benefit) on other comprehensive income items	(5,079)	4,895	(184)
Other comprehensive income (loss)	(84,591)	69,650	(14,941)
Total comprehensive income (loss)	(89,722)	78,188	(11,534)

For the Nine Months Ended September 30, 2022

Consolidated Statement of Operations

Increase (decrease) in future policy benefit reserves	\$	23,037	(18,540)	4,497
Policyholder liability remeasurement (gain) loss	—	1,731	1,731	
Amortization of deferred policy acquisition costs	18,869	(8,218)	10,651	
Amortization of cost of insurance acquired	775	(329)	446	
Federal income tax expense (benefit)	622	2,996	3,618	
Net income (loss)	(10,012)	22,360	12,348	
Basic earnings (losses) per share of Class A common stock	(0.20)	0.45	0.25	
Diluted earnings (losses) per share of Class A common stock	(0.20)	0.44	0.24	

Consolidated Statement of Comprehensive Income (Loss)

Unrealized holding gains (losses) arising during period	\$	(343,989)	3,311	(340,678)
Change in current discount rate for liability for future policy benefits	—	345,258	345,258	
Income tax expense (benefit) on other comprehensive income items	(18,880)	25,042	6,162	
Other comprehensive income (loss)	(325,031)	323,527	(1,504)	
Total comprehensive income (loss)	(335,043)	345,887	10,844	

ACCOUNTING STANDARDS NOT YET ADOPTED

On June 30, 2022 November 27, 2023, the FASB issued ASU No. 2022-03, 2023-07, *Fair Value Measurement Segment Reporting (Topic 820) 280: Fair Value Measurement of Equity Securities Subject Improvements to Contractual Sale Restrictions. Reportable Segment Disclosures*. This standard clarifies amendment expands a public entity's segment disclosures by requiring disclosure of significant segment expenses that contractual restrictions on equity security sales are not considered part of regularly provided to the security unit of account and, therefore, are not

September 30, 2023 | 10-Q 14

Table of Contents

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

considered in measuring fair value. In addition, the amendments clarify that chief operating decision maker, clarifying when an entity cannot, as may report one or more additional measures to assess segment performance, requiring enhanced interim disclosures, providing new disclosure requirements for entities with a separate unit of account, recognize single reportable segment, and measure a contractual sale restriction. Disclosures on such restrictions are also required, requiring other new disclosures. The amendments are effective for fiscal years beginning after December 15, 2023, including and interim periods within those fiscal years and are required to be applied prospectively, with any adjustments from the adoption recognized in earnings and disclosed, beginning after December 15, 2024. Early adoption is available. Adoption Although the ASU only requires additional disclosures about the Company's operating segments, the Company is currently evaluating the effects of adopting this standard will have no impact guidance on our the consolidated financial statements.

On December 14, 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which is intended to enhance the transparency, decision usefulness and effectiveness of income tax disclosures. The amendments in this ASU require a public entity to disclose a tabular tax rate reconciliation, using both percentages and currency, with specific categories. A public entity is also required to provide a qualitative description of the state and local jurisdictions that make up the majority of the effect of the state and local income tax category and the net amount of income taxes paid, disaggregated by federal, state and foreign taxes and also disaggregated by individual jurisdictions. The amendments also remove certain disclosures that are no longer considered cost beneficial. The amendments are effective prospectively for annual periods beginning after December 15, 2024 and early adoption and retrospective application are permitted. The Company is currently evaluating the impact of adopting this pronouncement on the consolidated financial statements.

No other new accounting pronouncements issued or effective during the year had, or is expected to have, a material impact on our consolidated financial statements.

(3) INVESTMENTS

The Company invests primarily in fixed maturity securities, which totaled 86.3% of total cash and invested assets at September 30, 2023, as shown below.

Carrying Value <i>(In thousands, except for %)</i>	September 30, 2023		December 31, 2022	
	Amount	%	Amount	%
Cash and invested assets:				
Fixed maturity securities	\$ 1,151,353	86.3 %	1,179,619	86.5 %
Equity securities	10,555	0.8	11,590	0.8
Policy loans	75,750	5.7	78,773	5.8
Other long-term investments	79,798	5.9	69,558	5.1
Short-term investments	—	—	1,241	0.1
Cash and cash equivalents	16,785	1.3	22,973	1.7
Total cash and invested assets	\$ 1,334,241	100.0 %	1,363,754	100.0 %

September 30, 2023 March 31, 2024 | 10-Q 159

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(3) INVESTMENTS

The Company invests primarily in fixed maturity securities, which totaled 86.7% of total cash and invested assets at March 31, 2024, as shown below.

Carrying Value <i>(In thousands, except for %)</i>	March 31, 2024		December 31, 2023	
	Amount	%	Amount	%
Cash and invested assets:				
Fixed maturity securities	\$ 1,234,048	86.7 %	1,238,981	86.7 %
Equity securities	5,419	0.4	5,282	0.4
Policy loans	75,274	5.3	75,359	5.3
Other long-term investments	85,118	6.0	82,725	5.8
Cash and cash equivalents	23,242	1.6	26,997	1.8
Total cash and invested assets	\$ 1,423,101	100.0 %	1,429,344	100.0 %

The following tables represent the amortized cost, gross unrealized gains and losses and fair value of fixed maturity securities as of the dates indicated.

March 31, 2024					Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)								
(In thousands)								
(In thousands)								
September 30, 2023		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value			
(In thousands)								
Fixed maturity securities:								
Fixed maturity securities:								

Fixed maturity securities:		Fixed maturity securities:				Available-for-sale:	
Available-for-sale:		Available-for-sale:				Available-for-sale:	
U.S. Treasury securities		U.S. Treasury securities	\$ 5,700	241	114	5,827	
U.S. Government-sponsored enterprises		U.S. Government-sponsored enterprises	3,411	122	3	3,530	
States and political subdivisions		States and political subdivisions	325,314	1,607	42,965	283,956	
Corporate:		Corporate:					
Financial		Financial	256,108	149	48,576	207,681	
Financial							
Financial							
Consumer	Consumer	249,857	545	54,802	195,600		
Utilities	Utilities	121,874	1	28,583	93,292		
Energy	Energy	76,418	—	13,304	63,114		
Communications							
All other	All other	184,859	236	34,041	151,054		
Commercial mortgage-backed	Commercial mortgage-backed	171	—	4	167		
Residential mortgage-backed	Residential mortgage-backed	108,976	3	16,460	92,519		
Asset-backed	Asset-backed	56,702	417	2,506	54,613		
Total fixed maturity securities	Total fixed maturity securities	\$1,389,390	3,321	241,358	1,151,353		
Total fixed maturity securities							
Total fixed maturity securities							

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Fixed maturity securities:				
Available-for-sale:				
U.S. Treasury securities	\$ 9,425	152	9	9,568
U.S. Government-sponsored enterprises	3,434	277	1	3,710
States and political subdivisions	344,208	1,114	37,964	307,358
Corporate:				
Financial	243,758	512	42,383	201,887
Consumer	247,824	758	47,138	201,444
Utilities	115,738	39	23,790	91,987
Energy	76,065	—	11,395	64,670
All other	184,022	683	29,048	155,657
Commercial mortgage-backed	171	—	2	169
Residential mortgage-backed	110,582	9	10,765	99,826
Asset-backed	45,991	18	2,767	43,242

Foreign governments	100	1	—	101
Total fixed maturity securities	\$ 1,381,318	3,563	205,262	1,179,619

September 30, 2023 March 31, 2024 | 10-Q 16 10

Table of Contents

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Fixed maturity securities:				
Available-for-sale:				
U.S. Treasury securities	\$ 5,983	127	48	6,062
U.S. Government-sponsored enterprises	3,404	250	1	3,653
States and political subdivisions	314,203	2,160	29,132	287,231
Corporate:				
Financial	266,485	2,066	31,255	237,296
Consumer	250,672	2,145	37,094	215,723
Utilities	123,625	615	20,253	103,987
Energy	73,808	64	8,049	65,823
Communications	74,029	309	8,892	65,446
All other	111,124	647	12,439	99,332
Commercial mortgage-backed	171	—	—	171
Residential mortgage-backed	107,174	9	10,060	97,123
Asset-backed	58,360	290	1,516	57,134
Total fixed maturity securities	\$ 1,389,038	8,682	158,739	1,238,981

Most of the Company's equity securities are diversified invested in a non-redeemable preferred stock and bond mutual funds. fund.

Fair Value (In thousands)	Fair Value (In thousands)	September 30, 2023	December 31, 2022	Fair Value (In thousands)	March 31, 2024	December 31, 2023
Equity securities:	Equity securities:					
Stock mutual funds		\$ 2,034	2,615			
Equity securities:						
Equity securities:						
Bond mutual funds						
Bond mutual funds						
Bond mutual funds	Bond mutual funds	4,196	4,337			
Common stock	Common stock	622	857			
Non-redeemable preferred stock	Non-redeemable preferred stock	8	8			

Non-redeemable preferred stock fund	Non-redeemable preferred stock fund	3,695	3,773
Total equity securities	Total equity securities	\$ 10,555	11,590

VALUATION OF INVESTMENTS

Available-for-sale ("AFS") fixed maturity securities are reported in the consolidated financial statements at fair value. Equity securities are measured at fair value with the change in fair value recorded through net income (loss). income. The Company recognized net investment related losses gains of \$0.4 million \$0.1 million and \$0.3 million on equity securities held for the three and nine months ended September 30, 2023 March 31, 2024 and losses of \$0.9 million and \$2.9 million for the same periods ended September 30, 2022, 2023, respectively.

The Company considers several factors in its review and evaluation of individual investments, using the process described in Part IV, Item 15, Note 2. Investments in the notes to the consolidated financial statements of our Form 10-K to determine whether a credit valuation loss exists. For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company recorded no credit valuation losses on fixed maturity securities.

September 30, 2023 March 31, 2024 | 10-Q 17 11

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables present
For fixed maturity security investments that have unrealized losses as of March 31, 2024 and December 31, 2023, the fair values and gross unrealized losses of fixed maturity securities and related fair values that are not deemed to have credit losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2023 and December 31, 2022, by timeframe are as follows.

September 30, 2023		Less than 12 months			Greater than 12 months			Total												
											March									
March 31, 2024											31, 2024	Less than 12 months			Greater than 12 months					
(In thousands, except for # of securities)	(In thousands, except for # of securities)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	(In thousands, except for # of securities)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
Fixed maturity securities:																				
Fixed maturity securities:																				
Available-for-sale securities:	Available-for-sale securities:										Available-for-sale securities:									
U.S. Treasury securities	U.S. Treasury securities	\$ 1,210	105	5	65	9	2	1,275	114	7										
U.S. Government-sponsored enterprises	U.S. Government-sponsored enterprises	219	3	1	—	—	—	219	3	1										
States and political subdivisions	States and political subdivisions	66,573	2,405	94	157,245	40,560	198	223,818	42,965	292										
Corporate:	Corporate:																			

[illegible]

All Other	All Other	140,955	25,337	171	7,910	3,711	15	148,865	29,048	186
Commercial mortgage-backed		168	2	2	—	—	—	168	2	2
Residential mortgage-backed										
Residential mortgage-backed										
Residential mortgage-backed	Residential mortgage-backed	98,758	10,514	95	759	251	5	99,517	10,765	100
Asset-backed	Asset-backed	37,067	2,485	41	4,264	282	9	41,331	2,767	50
Total fixed maturity securities		\$945,462	168,710	1,236	78,772	36,552	117	1,024,234	205,262	1,353

September 30, 2023 March 31, 2024 | 10-Q 18 12

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In each category of our fixed maturity securities described above, we do not intend to sell our investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 99% 99.0% and 99.4% of the fair value of our fixed maturity securities portfolio, respectively, were rated investment grade. While the losses are currently unrealized, we continue to monitor all fixed maturity securities on an on-going basis as future information may become available which could result in an allowance being recorded. While we experience unrealized losses across all corporate sectors, the financial sector includes exposure to regional banks which have been impacted the most by recent economic and interest rate pressures. We have assessed our exposure in this sector and believe our investments have access to sufficient liquidity to meet their debt obligations.

These unrealized losses on fixed maturity securities are due to noncredit-related factors, including widening credit spreads and rising interest rates since purchase, which have little bearing on the recoverability of our investments, hence they are not recognized as credit losses. The fair value is expected to recover as the securities approach maturity or if market yields for such investments decline.

The amortized cost and fair value of fixed maturity securities at September 30, 2023 March 31, 2024 by contractual maturity are shown in the table below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date have been reflected based upon final stated maturity.

September 30, 2023		March 31, 2024	
(In thousands)	Amortized Cost	(In thousands)	Fair Value
Fixed maturity securities:	Amortized Cost	Amortized Cost	Fair Value
Fixed maturity securities:	Amortized Cost	Amortized Cost	Fair Value
Fixed maturity securities:	Amortized Cost	Amortized Cost	Fair Value
Due in one year or less	\$ 14,657	14,514	

Due after one year through five years	Due after one year through five years	129,118	125,520
Due after five years through ten years	Due after five years through ten years	274,759	255,800
Due after ten years	Due after ten years	970,856	755,519
Total fixed maturity securities	Total fixed maturity securities	\$1,389,390	1,151,353

The Company uses the specific identification method of the individual security to determine the cost basis used in the calculation of realized gains and losses related to security sales.

		Three Months Ended			
		Three Months Ended		Nine Months Ended	
		Three Months Ended		September 30,	
		September 30,		September 30,	
		Three Months Ended		Three Months Ended	
		March 31,		March 31,	
		March 31,		March 31,	
(In thousands)		(In thousands)		(In thousands)	
(In thousands)	(In thousands)	2023	2022	2023	2022
Fixed maturity securities, available-for-sale:	Fixed maturity securities, available-for-sale:				
Fixed maturity securities, available-for-sale:	Fixed maturity securities, available-for-sale:				
Fixed maturity securities, available-for-sale:	Fixed maturity securities, available-for-sale:				
Proceeds	Proceeds				
Proceeds	Proceeds				
Proceeds	Proceeds	\$ 9,446	1,520	13,690	30,348
Gross realized gains	Gross realized gains	\$ 38	19	43	120
Gross realized gains	Gross realized gains				
Gross realized gains	Gross realized gains				
Gross realized losses	Gross realized losses	\$ 436	1	453	103
Gross realized losses	Gross realized losses				
Gross realized losses	Gross realized losses				

(4) FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We hold AFS fixed maturity securities, which are carried at fair value with changes in fair value reported through other comprehensive income (loss). We also report our equity securities and

certain other long-term investments at fair value with changes in fair value reported through the consolidated statements of **operations**, **operations and comprehensive income (loss)**.

September 30, 2023 | 10-Q 19

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Fair value measurements are generally based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our view of market assumptions in the absence of observable market information. We utilize valuation techniques that maximize the use of

March 31, 2024 | 10-Q 13

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

observable inputs and minimize the use of unobservable inputs. All assets and liabilities carried at fair value are required to be classified and disclosed in one of the following three categories:

- Level 1 - Quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs or whose significant value drivers are observable.
- Level 3 - Instruments whose significant value drivers are unobservable.

Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as U.S. Treasury securities and actively traded mutual fund and stock investments.

Level 2 includes those financial instruments that are valued by independent pricing services or broker quotes. These pricing models are primarily industry-standard models that consider various inputs, such as interest rates, credit spreads and foreign exchange rates for the underlying financial instruments. All significant inputs are observable or derived from observable information in the marketplace or are supported by observable levels at which transactions are executed in the marketplace. Financial instruments in this category primarily include corporate securities, U.S. Government-sponsored enterprise securities, securities issued by states and political subdivisions and certain mortgage and asset-backed securities.

Level 3 is comprised of financial instruments whose fair value is estimated based on non-binding broker prices utilizing significant inputs not based on or corroborated by readily available market information. We have no investments in this category.

September 30, 2023 | 10-Q 20

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables set forth our assets **that are** measured at fair value on a recurring basis as of the dates indicated.

September 30, 2023									
		March 31, 2024		Level 3		Total Fair Value			
March 31, 2024		Level 1	Level 2	Level 3		Total	Level 2	Level 3	Total
(In thousands)	(In thousands)			1	Level 3	Total	Level 2		Fair Value
Financial Assets		Level 1	Level 2		3	Fair Value			

Fixed maturity securities available-for-sale:					
Financial assets:					
Financial assets:					
Financial assets:					
Fixed maturity securities, available-for-sale:					
Fixed maturity securities, available-for-sale:					
Fixed maturity securities, available-for-sale:					
U.S. Treasury and U.S. Government-sponsored enterprises	U.S. Treasury and U.S. Government-sponsored enterprises	\$ 5,827	3,530	—	9,357
States and political subdivisions	States and political subdivisions	—	283,956	—	283,956
Corporate	Corporate	43	710,698	—	710,741
Commercial mortgage-backed	Commercial mortgage-backed	—	167	—	167
Residential mortgage-backed	Residential mortgage-backed	—	92,519	—	92,519
Asset-backed	Asset-backed	—	54,613	—	54,613
Total fixed maturity securities available-for-sale		5,870	1,145,483	—	1,151,353
Total fixed maturity securities, available-for-sale					
Total fixed maturity securities, available-for-sale					
Total fixed maturity securities, available-for-sale					
Equity securities:	Equity securities:	2,034	—	—	2,034
Stock mutual funds		2,034	—	—	2,034
Equity securities:					
Equity securities:					
Bond mutual funds					
Bond mutual funds					
Bond mutual funds	Bond mutual funds	4,196	—	—	4,196
Common stock	Common stock	622	—	—	622
Non-redeemable preferred stock	Non-redeemable preferred stock	8	—	—	8
Non-redeemable preferred stock fund	Non-redeemable preferred stock fund	3,695	—	—	3,695

Total equity securities	Total equity securities	10,555	—	—	10,555
Other long-term investments ⁽¹⁾	Other long-term investments ⁽¹⁾	—	—	—	79,535
Total financial assets	Total financial assets	\$16,425	1,145,483	—	1,241,443

⁽¹⁾ In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

September 30, 2023 March 31, 2024 | 10-Q 21 14

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 31, 2022									
December 31, 2023		Level 1	Level 2	December 31, 2023	Level 3	Total Fair Value			
(In thousands)	(In thousands)			1	Level 3	Total Fair Value	Level 2	Level 3	Total Fair Value
Financial Assets		Level 1	Level 2		3				
Fixed maturity securities available-for-sale:									
Financial assets:									
Financial assets:									
Financial assets:									
Fixed maturity securities, available-for-sale:									
Fixed maturity securities, available-for-sale:									
Fixed maturity securities, available-for-sale:									
U.S. Treasury and U.S. Government-sponsored enterprises	U.S. Treasury and U.S. Government-sponsored enterprises	\$ 9,567	3,711	—		13,278			
States and political subdivisions	States and political subdivisions	—	307,358	—		307,358			
Corporate	Corporate	44	715,601	—		715,645			
Commercial mortgage-backed	Commercial mortgage-backed	—	169	—		169			
Residential mortgage-backed	Residential mortgage-backed	—	99,826	—		99,826			
Asset-backed	Asset-backed	—	43,242	—		43,242			
Foreign governments		—	101	—		101			
Total fixed maturity securities available-for-sale		9,611	1,170,008	—		1,179,619			
Total fixed maturity securities, available-for-sale									

Total fixed maturity securities, available-for-sale					
Total fixed maturity securities, available-for-sale					
Equity securities:	Equity securities:				
Stock mutual funds	2,615	—	—	2,615	
Equity securities:					
Equity securities:					
Bond mutual funds					
Bond mutual funds					
Bond mutual funds	Bond mutual funds	4,337	—	—	4,337
Common stock	Common stock	857	—	—	857
Non-redeemable preferred stock	Non-redeemable preferred stock	8	—	—	8
Non-redeemable preferred stock fund	Non-redeemable preferred stock fund	3,773	—	—	3,773
Total equity securities	Total equity securities	11,590	—	—	11,590
Other long-term investments ⁽¹⁾	Other long-term investments ⁽¹⁾	—	—	—	66,846
Total financial assets	Total financial assets	\$21,201	1,170,008	—	1,258,055

⁽¹⁾ In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

FINANCIAL INSTRUMENTS VALUATION

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

Fixed maturity securities, available-for-sale. At **September 30, 2023** **March 31, 2024**, fixed maturity securities, valued using a third-party pricing source, totaled **\$1.1** **\$1.2** billion for Level 2 assets and comprised **92%** **92.7%** of total reported fair value of our financial assets. The Level 1 and Level 2 valuations are reviewed and updated quarterly through testing by comparisons to separate pricing models, other third-party pricing services, and back tested to recent trades. In addition, we obtain information annually relative to the third-party pricing models and review model parameters for reasonableness. There were no Level 3 assets at **September 30, 2023** **March 31, 2024**. As of **September 30, 2023** **March 31, 2024**, there were no material changes to the valuation methods or assumptions used to determine fair values, and no broker or third-party prices were changed from the values received.

Equity securities. Our equity securities are classified as Level 1 assets as their fair values are based upon quoted market prices.

Limited partnerships. The Company considers the net asset value ("NAV") to represent the value of the investment fund and is measured by the total value of assets minus the total value of liabilities. The following table includes information related to our investments in limited partnerships that calculate NAV per share. For these investments, which are measured at fair value on a recurring basis, we use the NAV per share to measure fair value. The Company recognized net investment related **losses of \$0.1 million** and gains of **\$0.2 million** **\$1.3 million** and losses of **\$4.2 million** and **\$9.4 million** **\$0.6 million** on limited partnerships held for the three and nine months ended September 30, 2023 and

September 30, 2023 **March 31, 2024** | 10-Q **22** **15**

[Table of Contents](#)

(Unaudited)

September 30, 2022, held for the three months ended March 31, 2024 and March 31, 2023, respectively. These investments are included in other long-term investments on the consolidated balance sheets.

September 30, 2023									December 31, 2022												
March 31, 2024																					
(In thousands, except for years)	(In thousands, except for years)	Description	Fair Value Using NAV Per Share			Unfunded Commitments			Range (In years)			(In thousands, except for years)	Fair Value Using NAV Per Share			Unfunded Commitments			Range (In years)		
			Share	Per	Share	Commitments	Range	Share	Per	Share	Commitments		Range	Share	Per	Share	Commitments	Range			
Limited partnerships																					
Limited partnerships:																					
Limited partnerships:																					
Limited partnerships:																					
Middle market																					
Middle market																					
Middle market	Middle market	Investments in privately-originated, performing senior secured debt primarily in North America-based companies	\$35,869	3,452	4	\$33,234	6,011	5	Investments in privately-originated, performing senior secured debt primarily in North America-based companies	\$ 35,648	3,452	3,452	3	3	\$34,858	3,452					
Global equity fund	Global equity fund	Investments in common stocks of U.S., international developed and emerging markets with a focus on long-term capital growth	9,383	—	0	9,037	—	0	Global equity fund	11,056	—	—	0	0	10,341						
Late-stage growth	Late-stage growth	Investments in private late-stage, established companies seeking capital to accelerate growth prior to an IPO or sale	19,567	15,629	5 to 7	16,892	18,444	5 to 7													
Late-stage growth																					

Late-stage growth		Investments in private late-stage, established companies seeking capital to accelerate growth prior to an IPO or sale		21,116	12,861	4 to 6	20,524									
Infrastructure	Infrastructure	Investments in climate infrastructure assets, focusing on renewable power generation in wind and solar energy	14,716	11,233	10 to 12	7,683	4,107	11	Infrastructure	Investments in climate infrastructure assets, focusing on renewable power generation in wind and solar energy	17,033	9,367	9,367	9 to 11	9 to 11	16,731
Total limited partnerships		Total limited partnerships	\$79,535	30,314		\$66,846	28,562									

The majority of our limited partnership investments are not redeemable because distributions from the funds will be received when the underlying investments of the funds are liquidated. The life spans indicated above may be shortened or extended at the fund manager's discretion, typically in one or two-year increments. The global equity fund is redeemable monthly.

FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

Estimates of fair values are made at a specific point in time, based on relevant market prices and information about the financial instruments. The estimated fair values of financial instruments presented below are not necessarily indicative of the amounts the Company might realize in actual market transactions.

The carrying amount and fair value for the financial assets and liabilities on the consolidated financial statements not otherwise disclosed for the periods indicated were as follows:

		September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
(In thousands)	(In thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:									
Financial assets:									
Financial assets:									
Financial assets:									
Policy loans	Policy loans	\$75,750	75,750	78,773	78,773				
Residential mortgage loan	Residential mortgage loan	43	44	49	50				
Residential mortgage loan									
Residential mortgage loan									
Cash and cash equivalents	Cash and cash equivalents	16,785	16,785	22,973	22,973				
Financial Liabilities:									
Cash and cash equivalents									

Cash and cash equivalents					
Financial liabilities:	Financial liabilities:				
Annuity - investment contracts	Annuity - investment contracts	67,224	59,063	67,344	61,701
September 30, 2023 March 31, 2024 10-Q 23 16					

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Policy loans. Policy loans had a weighted average annual interest rate of 7.7% at both September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and no specified maturity dates. The aggregate fair value of policy loans approximates the carrying value reflected on the consolidated balance sheets. Policy loans are an integral part of the life insurance policies we have in force, cannot be valued separately and are not marketable. Therefore, the fair value of policy loans approximates the carrying value and policy loans are considered Level 3 assets in the fair value hierarchy.

Residential mortgage loan. The mortgage loan is secured principally by a residential property. The interest rate for this loan was 7.0% at both September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. At September 30, 2023 March 31, 2024, the remaining loan matures in five four years. Management estimated the fair value using an annual interest rate of 6.25% at September 30, 2023 both March 31, 2024 and December 31, 2023. Our mortgage loan is considered a Level 3 asset in the fair value hierarchy and is included in other long-term investments on the consolidated balance sheets.

Cash and cash equivalents. The fair value of cash and cash equivalents approximates carrying value and are characterized as Level 1 assets in the fair value hierarchy.

Annuity liabilities. The fair value of the Company's liabilities under annuity contract policies, contracts, which are considered Level 3 liabilities, was estimated at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 using discounted cash flows based upon spot rates adjusted for various risk adjustments ranging from 4.57% 4.13% to 5.01% 4.63% and 4.74% 3.80% to 5.09% 4.50%, respectively. The fair value of liabilities under all insurance contracts are taken into consideration in the overall management of interest rate risk, which seeks to minimize exposure to changing interest rates through the matching of investment maturities with amounts due under insurance contracts.

Other long-term investments. Financial instruments included in other long-term investments are classified in various levels of the fair value hierarchy. The following table summarizes the carrying amounts of these investments.

Carrying Value (In thousands)	September 30, 2023	December 31, 2022
Other long-term investments:		
Limited partnerships	\$ 79,535	69,294
FHLB common stock	199	193
Mortgage loans	43	49
All other investments	21	22
Total other long-term investments	\$ 79,798	69,558

We carried no limited partnership investments at cost at September 30, 2023 while \$2.4 million were carried at cost at December 31, 2022.

Carrying Value (In thousands)	March 31, 2024	December 31, 2023
Other long-term investments:		
Limited partnerships	\$ 84,853	82,460
FHLB common stock	204	202
Mortgage loans	39	42
All other investments	22	21
Total other long-term investments	\$ 85,118	82,725

We are a member of the Federal Home Loan Bank ("FHLB") of Dallas and such membership requires members to own stock in the FHLB. Our FHLB stock is carried at amortized cost, which approximates fair value.

(5) DEFERRED POLICY ACQUISITION COSTS AND COST OF INSURANCE ACQUIRED

DAC

The following tables roll forward the DAC asset and COIA balances for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 by reporting cohort. Our reporting cohorts are Permanent, which summarizes insurance policies with premiums payable over the lifetime of the policy, and Permanent Limited Pay, which summarizes insurance policies with

September 30, 2023 March 31, 2024 | 10-Q 24 17

Table of Contents

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

premiums payable for a limited time after which the policy is fully paid up. Both reporting cohorts include whole life and endowment policies.

		Nine Months Ended September 30, 2023								
		Three Months Ended March 31, 2024								
		Three Months Ended March 31, 2024								
		Three Months Ended March 31, 2024								
		Permanent								
		Limited	Other							
(In thousands)	(In thousands)	Permanent	Pay	Business	Total	(In thousands)	Permanent	Permanent Limited Pay	Other Business	Total
Life Insurance:		Life Insurance:								
Balance, beginning of year										
Balance, beginning of year										
Balance, beginning of year	Balance, beginning of year	\$ 100,926	11,542	1,016	113,484					
Capitalizations	Capitalizations	11,220	2,385	353	13,958					
Amortization expense	Amortization expense	(8,859)	(586)	(197)	(9,642)					
Balance, end of period	Balance, end of period	103,287	13,341	1,172	117,800					
Balance, end of period										
Balance, end of period										
Home Service Insurance:		Home Service Insurance:								
Home Service Insurance:		Home Service Insurance:								
Home Service Insurance:		Home Service Insurance:								
Home Service Insurance:		Home Service Insurance:								
Balance, beginning of year										
Balance, beginning of year										
Balance, beginning of year	Balance, beginning of year	38,793	9,729	921	49,443					
Capitalizations	Capitalizations	5,026	865	185	6,076					
Amortization expense	Amortization expense	(1,542)	(295)	(65)	(1,902)					
Balance, end of period	Balance, end of period	42,277	10,299	1,041	53,617					

Balance, end of period	
Balance, end of period	
Consolidated:	Consolidated:
Consolidated:	
Consolidated:	
Balance, beginning of year	
Balance, beginning of year	
Balance, beginning of year	Balance, beginning of year
	139,719 21,271 1,937 162,927
Capitalizations	Capitalizations 16,246 3,250 538 20,034
Amortization expense	Amortization expense (10,401) (881) (262) (11,544)
Balance, end of period	Balance, end of period
	\$ 145,564 23,640 2,213 171,417
Balance, end of period	
Balance, end of period	

Nine Months Ended September 30, 2022										
Three Months Ended March 31, 2023										
Three Months Ended March 31, 2023										
Three Months Ended March 31, 2023										
		Permanent Limited Other				(In	Permanent Permanent Limited Pay		Other Business	Total
(In thousands)	(In thousands)	Permanent	Pay	Business	Total	thousands)	Permanent	Permanent Limited Pay	Other Business	Total
Life Insurance: Life Insurance:										
Balance, beginning of year										
Balance, beginning of year										
Balance, beginning of year	Balance, beginning of year	\$ 97,675	9,001	1,026	107,702					
Capitalizations	Capitalizations	10,043	2,121	41	12,205					
Amortization expense	Amortization expense	(8,462)	(476)	(113)	(9,051)					
Balance, end of period	Balance, end of period	99,256	10,646	954	110,856					
Balance, end of period										
Balance, end of period										
Home Service Insurance: Home Service Insurance:										
Home Service Insurance: Home Service Insurance:										
Home Service Insurance: Home Service Insurance:										
Balance, beginning of year										
Balance, beginning of year										
Balance, beginning of year	Balance, beginning of year	35,137	8,723	856	44,716					
Capitalizations	Capitalizations	4,049	1,064	19	5,132					
Amortization expense	Amortization expense	(1,361)	(271)	32	(1,600)					
Balance, end of period	Balance, end of period	37,825	9,516	907	48,248					
Balance, end of period										
Balance, end of period										

Consolidated:	Consolidated:				
Consolidated:					
Consolidated:					
Balance, beginning of year					
Balance, beginning of year					
Balance, beginning of year	Balance, beginning of year	132,812	17,724	1,882	152,418
Capitalizations	Capitalizations	14,092	3,185	60	17,337
Amortization expense	Amortization expense	(9,823)	(747)	(81)	(10,651)
Balance, end of period	Balance, end of period	\$ 137,081	20,162	1,861	159,104
Balance, end of period					
Balance, end of period					

September 30, 2023 March 31, 2024 | 10-Q 25 18

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

DAC capitalization increased for the nine three months ended September 30, 2023 March 31, 2024, compared to the same prior year period mainly from increased commissions from higher first year sales across in our business segments, Life Insurance segment.

COIA

The following tables provide rollforwards of the COIA balances for the nine months ended September 30, 2023 and 2022 by reporting cohort. Our reporting cohorts are Permanent, which summarizes insurance policies with premiums payable over the lifetime of the policy, and Permanent Limited Pay, which summarizes insurance policies with premiums payable for a limited time after which the policy is fully paid up. Both reporting cohorts include whole life and endowment policies.

	Three Months Ended March 31, 2024			
	Permanent	Permanent Limited Pay	Other Business	Total
(In thousands)				
Life Insurance:				
Balance, beginning of year	\$ 249	695	406	1,350
Amortization expense	(4)	(13)	(9)	(26)
Balance, end of period	245	682	397	1,324
Home Service Insurance:				
Balance, beginning of year	7,194	168	1,331	8,693
Amortization expense	(94)	(2)	(50)	(146)
Balance, end of period	7,100	166	1,281	8,547
Consolidated:				
Balance, beginning of year	7,443	863	1,737	10,043
Amortization expense	(98)	(15)	(59)	(172)
Balance, end of period	\$ 7,345	848	1,678	9,871

Nine Months Ended September 30, 2023

Three Months Ended March 31, 2023										
Three Months Ended March 31, 2023										
Three Months Ended March 31, 2023										
	Permanent Limited Other					(In thousands)				
(In thousands)	(In thousands)	Permanent	Pay	Business	Total		Permanent	Permanent Limited Pay	Other Business	Total
Life Insurance:	Life Insurance:									
Balance, beginning of year										
Balance, beginning of year										
Balance, beginning of year	Balance, beginning of year	\$ 267	750	444	1,461					
Amortization expense	Amortization expense	(14)	(43)	(29)	(86)					
Balance, end of period	Balance, end of period	253	707	415	1,375					
Balance, end of period										
Balance, end of period										
Home Service Insurance:	Home Service Insurance:									
Home Service Insurance:										
Home Service Insurance:										
Balance, beginning of year										
Balance, beginning of year										
Balance, beginning of year	Balance, beginning of year	7,583	176	1,427	9,186					
Amortization expense	Amortization expense	(293)	(6)	(80)	(379)					
Balance, end of period	Balance, end of period	7,290	170	1,347	8,807					
Balance, end of period										
Balance, end of period										
Consolidated: Consolidated:										
Consolidated:										
Consolidated:										
Balance, beginning of year										
Balance, beginning of year										
Balance, beginning of year	Balance, beginning of year	7,850	926	1,871	10,647					
Amortization expense	Amortization expense	(307)	(49)	(109)	(465)					
Balance, end of period	Balance, end of period	\$ 7,543	877	1,762	10,182					
Balance, end of period										
Balance, end of period										

Nine Months Ended September 30, 2022				
	Permanent Limited Other Business Total			
(In thousands)	Permanent	Pay	Other Business	Total
Life Insurance:				
Balance, beginning of year	\$ 287	812	485	1,584

Amortization expense	(15)	(47)	(32)	(94)
Balance, end of period	272	765	453	1,490
Home Service Insurance:				
Balance, beginning of year	7,989	184	1,511	9,684
Amortization expense	(306)	(6)	(40)	(352)
Balance, end of period	7,683	178	1,471	9,332
Consolidated:				
Balance, beginning of year	8,276	996	1,996	11,268
Amortization expense	(321)	(53)	(72)	(446)
Balance, end of period	\$ 7,955	943	1,924	10,822

September 30, 2023 | 10-Q 26

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(6) POLICYHOLDERS' LIABILITIES

LIABILITY FOR FUTURE POLICY BENEFITS

The following tables summarize balances of and changes in the liability for future policy benefits for our reporting cohorts: Permanent, which summarizes insurance policies with premiums payable over the lifetime of the policy,

March 31, 2024 | 10-Q 19

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

and Permanent Limited Pay, which summarizes insurance policies with premiums payable for a limited time after which the policy is fully paid up. Both reporting cohorts include whole life and endowment policies.

	Life Insurance			Home Service Insurance		
	Permanent		Total	Permanent		Total
	Permanent	Limited Pay		Permanent	Limited Pay	
September 30, 2023 (In thousands)						
Present Value of Expected Net Premiums						
March 31, 2024 (In thousands)						
March 31, 2024 (In thousands)						
Present Value of Expected Net Premiums:						
Balance, beginning of year						
Balance, beginning of year						

	Life Insurance			Home Service Insurance		
	Permanent		Total	Permanent		Total
	Permanent	Limited Pay		Permanent	Limited Pay	
March 31, 2024 (In thousands)						

Balance, beginning of year	Balance, beginning of year	\$ 235,228	10,209	245,437	93,508	13,255	106,763
Beginning balance at original discount rate	Beginning balance at original discount rate	247,601	10,682	258,283	100,225	14,394	114,619
Effect of changes in cash flow assumptions		(210)	38	(172)	(343)	85	(258)
Effects of actual variances from expected experience	Effects of actual variances from expected experience						
Effects of actual variances from expected experience	Effects of actual variances from expected experience	4,156	1,059	5,215	(5,631)	(4,477)	(10,108)
Adjusted beginning of year balance	Adjusted beginning of year balance	251,547	11,779	263,326	94,251	10,002	104,253
Issuances	Issuances	20,918	2,608	23,526	13,854	3,107	16,961
Interest accrual	Interest accrual	6,897	248	7,145	3,019	348	3,367
Net premiums collected	Net premiums collected	(31,480)	(2,004)	(33,484)	(8,909)	2,019	(6,890)
Derecognition and other	Derecognition and other	567	240	807	475	113	588
Ending balance at original discount rate	Ending balance at original discount rate	248,449	12,871	261,320	102,690	15,589	118,279
Effect of changes in discount rates	Effect of changes in discount rates	(16,380)	(501)	(16,881)	(9,438)	(1,397)	(10,835)
Balance, end of period	Balance, end of period	\$ 232,069	12,370	244,439	93,252	14,192	107,444
Present Value of Expected Future Policy Benefits							
Present Value of Expected Future Policy Benefits:							
Present Value of Expected Future Policy Benefits:							
Present Value of Expected Future Policy Benefits:							
Balance, beginning of year							
Balance, beginning of year							
Balance, beginning of year	Balance, beginning of year	\$ 947,415	195,612	1,143,027	200,351	116,356	316,707
Beginning balance at original discount rate	Beginning balance at original discount rate	996,169	208,051	1,204,220	214,188	121,908	336,096
Effect of changes in cash flow assumptions		(389)	(702)	(1,091)	(257)	331	74
Effects of actual variances from expected experience							

Effects of actual variances from expected experience							
Effects of actual variances from expected experience	Effects of actual variances from expected experience	6,338	3,489	9,827	(5,472)	(1,337)	(6,809)
Adjusted beginning of year balance	Adjusted beginning of year balance	1,002,118	210,838	1,212,956	208,459	120,902	329,361
Issuances	Issuances	21,360	2,798	24,158	13,854	3,115	16,969
Interest accrual	Interest accrual	32,470	6,288	38,758	6,987	4,242	11,229
Benefit payments	Benefit payments	(63,211)	(16,732)	(79,943)	(12,246)	(4,707)	(16,953)
Derecognition and other	Derecognition and other	97	42	139	464	109	573
Ending balance at original discount rate	Ending balance at original discount rate	992,834	203,234	1,196,068	217,518	123,661	341,179
Effect of changes in discount rates	Effect of changes in discount rates	(78,072)	(18,778)	(96,850)	(23,934)	(12,670)	(36,604)
Balance, end of period	Balance, end of period	\$ 914,762	184,456	1,099,218	193,584	110,991	304,575
Net liability for future policy benefits	Net liability for future policy benefits	\$ 682,693	172,086	854,779	100,332	96,799	197,131
Net liability for future policy benefits							
Net liability for future policy benefits							

September 30, 2023 March 31, 2024 | 10-Q 27 20

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Life Insurance segment impact of updating actual experience for the current period contributed to an increase in liabilities primarily due to higher benefits than expected. The Home Service Insurance segment impact of updating actual experience for the current period contributed to an increase in liabilities due to higher premiums collected than expected.

September 30, 2022 (In thousands)	Life Insurance			Home Service Insurance		
	Permanent	Permanent Limited Pay	Total	Permanent	Permanent Limited Pay	Total
Present Value of Expected Net Premiums						
Balance, beginning of year	\$ 269,528	4,939	274,467	104,556	10,196	114,752
Beginning balance at original discount rate	246,386	5,093	251,479	90,012	9,532	99,544

Effect of changes in cash flow assumptions	(3,662)	237	(3,425)	4,253	1,214	5,467
Effects of actual variances from expected experience	1,705	401	2,106	(299)	(5,603)	(5,902)
Adjusted beginning of year balance	244,429	5,731	250,160	93,966	5,143	99,109
Issuances	25,049	2,757	27,806	13,886	4,041	17,927
Interest accrual	6,259	32	6,291	2,553	166	2,719
Net premiums collected	(29,835)	455	(29,380)	(8,331)	5,156	(3,175)
Derecognition and other	445	90	535	(655)	117	(538)
Ending balance at original discount rate	246,347	9,065	255,412	101,419	14,623	116,042
Effect of changes in discount rates	(15,999)	(653)	(16,652)	(8,386)	(1,629)	(10,015)
Balance, end of period	\$ 230,348	8,412	238,760	93,033	12,994	106,027
Present Value of Expected Future Policy Benefits						
Balance, beginning of year	\$ 1,168,282	240,679	1,408,961	266,206	161,715	427,921
Beginning balance at original discount rate	990,921	207,105	1,198,026	205,340	117,425	322,765
Effect of changes in cash flow assumptions	(3,916)	374	(3,542)	4,822	1,765	6,587
Effects of actual variances from expected experience	2,127	3,392	5,519	158	7	165
Adjusted beginning of year balance	989,132	210,871	1,200,003	210,320	119,197	329,517
Issuances	25,567	2,835	28,402	13,900	4,038	17,938
Interest accrual	31,922	6,358	38,280	6,539	4,076	10,615
Benefit payments	(51,604)	(12,483)	(64,087)	(15,058)	(5,277)	(20,335)
Derecognition and other	(30)	12	(18)	(669)	110	(559)
Ending balance at original discount rate	994,987	207,593	1,202,580	215,032	122,144	337,176
Effect of changes in discount rates	(60,876)	(13,695)	(74,571)	(14,624)	(4,985)	(19,609)
Balance, end of period	\$ 934,111	193,898	1,128,009	200,408	117,159	317,567
Net liability for future policy benefits	\$ 703,763	185,486	889,249	107,375	104,165	211,540
Plus: Flooring impact	2	—	2	—	—	—
Net liability for future policy benefits, after flooring impact	\$ 703,765	185,486	889,251	107,375	104,165	211,540

September 30, 2023 | 10-Q 28

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Life Insurance segment impact of updating actual experience for the current period contributed to an increase in liabilities primarily due to higher benefits paid than expected. The Home Service Insurance segment impact of updating actual experience for the current period contributed to an increase in liabilities due to higher premiums collected than expected.

March 31, 2023 (In thousands)	Life Insurance			Home Service Insurance		
	Permanent	Permanent Limited Pay	Total	Permanent	Permanent Limited Pay	Total
Present Value of Expected Net Premiums:						
Balance, beginning of year	\$ 235,228	10,209	245,437	93,508	13,255	106,763
Beginning balance at original discount rate	247,601	10,682	258,283	100,225	14,394	114,619
Effects of actual variances from expected experience	1,742	365	2,107	(1,371)	(809)	(2,180)
Adjusted beginning of year balance	249,343	11,047	260,390	98,854	13,585	112,439
Issuances	6,236	759	6,995	4,789	1,176	5,965
Interest accrual	2,272	72	2,344	986	114	1,100
Net premiums collected	(9,715)	(751)	(10,466)	(2,967)	467	(2,500)
Derecognition and other	153	38	191	132	46	178

Ending balance at original discount rate	248,289	11,165	259,454	101,794	15,388	117,182
Effect of changes in discount rates	(8,766)	(370)	(9,136)	(4,925)	(873)	(5,798)
Balance, end of period	\$ 239,523	10,795	250,318	96,869	14,515	111,384
Present Value of Expected Future Policy Benefits:						
Balance, beginning of year	\$ 947,415	195,612	1,143,027	200,351	116,356	316,707
Beginning balance at original discount rate	996,169	208,051	1,204,220	214,188	121,908	336,096
Effects of actual variances from expected experience	2,538	1,045	3,583	(1,299)	25	(1,274)
Adjusted beginning of year balance	998,707	209,096	1,207,803	212,889	121,933	334,822
Issuances	6,375	785	7,160	4,789	1,176	5,965
Interest accrual	10,842	2,112	12,954	2,310	1,410	3,720
Benefit payments	(19,153)	(4,873)	(24,026)	(4,178)	(1,748)	(5,926)
Derecognition and other	14	12	26	132	45	177
Ending balance at original discount rate	996,785	207,132	1,203,917	215,942	122,816	338,758
Effect of changes in discount rates	(31,065)	(9,459)	(40,524)	(10,101)	(3,712)	(13,813)
Balance, end of period	\$ 965,720	197,673	1,163,393	205,841	119,104	324,945
Net liability for future policy benefits	\$ 726,197	186,878	913,075	108,972	104,589	213,561

Net premiums collected is defined as the transactional gross premiums collected in the current period times the net premium ratio. Issuances are calculated as the present value, using the locked-in discount rate, of the expected net premiums or the expected future policy benefits related to new policies issued during the **nine three** months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**. Interest accrual is the interest earned on the beginning present value of either the expected net premiums or the expected future policy benefits using the locked-in discount rate. Benefit payments are the transactional benefits (death, lapse, surrenders and maturities) paid in the current period. Derecognition refers to a subset of the issuances or the present value of future premiums released on new issues that lapsed during the **nine three** months ended **September 30, 2023** **March 31, 2024** and **2022, 2023** as well as other reconciling items. The effects of actual variances from expected experience lines are primarily impacted by the actual policy cash flows during the period compared to that which was expected in the reserve assumptions. If the net of the two lines is a positive number, the implication is an unfavorable result with policy cash flows less favorable than assumed while a negative number implies a favorable result compared to assumptions. Our policy experience will vary from actual experience in any one period, either favorably or unfavorably.

March 31, 2024 | 10-Q 21

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table reconciles the net liability for future policy benefits shown above to the liability for future policy benefits reported in the consolidated balance sheets.

September 30, 2023		September 30, 2022				March 31, 2024		March 31, 2024		March 31, 2020
(In thousands)	(In thousands)	Life Insurance	Home Service Insurance Consolidated	Life Insurance	Home Service Insurance Consolidated	(In thousands)	Life Insurance	Home Service Insurance Consolidated	Life Insurance	Home Service Insurance Consolidated
Life Insurance										
Life Insurance:										
Permanent										
Permanent										
Permanent	Permanent	\$ 682,693	100,332	783,025	703,765	107,375	811,140			
Permanent	Permanent									
limited pay	limited pay	172,086	96,799	268,885	185,486	104,165	289,651			

Deferred profit liability	Deferred profit liability	27,616	26,138	53,754	23,749	23,727	47,476
Other	Other	28,011	13,926	41,937	28,558	13,677	42,235
Total life insurance	Total life insurance	910,406	237,195	1,147,601	941,558	248,944	1,190,502
Accident & Health							
Accident & Health:							
Other							
Other							
Other	Other	596	281	877	498	231	729
Total future policy benefit reserves	Total future policy benefit reserves	\$ 911,002	237,476	1,148,478	942,056	249,175	1,191,231
Total future policy benefit reserves							
Total future policy benefit reserves							

September 30, 2023 | 10-Q 29

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table provides the amount of undiscounted and discounted expected gross premiums and expected future benefit payments for long-term duration contracts.

September 30, 2023		September 30, 2022								
March 31, 2024						March 31, 2024		March 31, 2023		
		Home	Home							
		Life	Service	Life	Service		Life	Home Service	Life	Home Service
(In thousands)	(In thousands)	Insurance	Insurance	Insurance	Insurance	(In thousands)	Insurance	Insurance	Insurance	Insurance
Undiscounted:										
Permanent										
Permanent:										
Permanent:										
Permanent:										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums										
Expected future gross premiums						</				

Permanent Limited Pay:					
Permanent Limited Pay:					
Expected future gross premiums					
Expected future gross premiums					
Expected future gross premiums	Expected future gross premiums	47,868	77,544	48,132	74,126
Expected future benefit payments	Expected future benefit payments	325,964	320,563	322,184	316,178
Discounted: Discounted:					
Permanent					
Discounted:					
Discounted:					
Permanent:					
Permanent:					
Permanent:					
Expected future gross premiums					
Expected future gross premiums					
Expected future gross premiums	Expected future gross premiums	\$ 453,277	261,271	471,719	272,158
Expected future benefit payments	Expected future benefit payments	914,762	193,584	934,111	200,408
Permanent Limited Pay					
Permanent Limited Pay:					
Permanent Limited Pay:					
Permanent Limited Pay:					
Expected future gross premiums					
Expected future gross premiums					
Expected future gross premiums	Expected future gross premiums	42,133	51,091	42,441	52,036
Expected future benefit payments	Expected future benefit payments	184,456	110,991	193,898	117,159

The following tables summarize the amount of revenue and interest related to long-term duration contracts recognized in the consolidated statement of **operations**; **operations and comprehensive income (loss)**:

				Three Months Ended September 30,		Nine Months Ended September 30,									
				2023		2022		2023		2022					
				Three Months Ended March 31,											
				Three Months Ended March 31,											
				Three Months Ended March 31,											
				2024						2024 2023					
(In thousands)	(In thousands)	Gross Premiums	Interest Expense	Gross Premiums	Interest Expense	Gross Premiums	Interest Expense	Gross Premiums	Interest Expense	(In thousands)	Gross Premiums	Interest Expense	Gross Premiums	Interest Expense	
Life Insurance Segment:	Life Insurance Segment:														
Life Insurance															
Life Insurance:															
Life Insurance:															
Life Insurance:															
Permanent															
Permanent															
Permanent	Permanent	\$ 23,654	8,471	23,751	8,537	68,619	25,573	68,826	25,663						
Permanent	Permanent														
Limited Pay	Limited Pay	3,555	2,308	3,399	2,291	11,333	6,811	10,391	6,946						
Other	Other	4,279	—	4,944	—	7,094	—	10,214	—						
Less:	Less:														
Reinsurance	Reinsurance	392	—	501	—	1,452	—	1,254	—						
Reinsurance															
Reinsurance															
Total, net of reinsurance	Total, net of reinsurance	31,096	10,779	31,593	10,828	85,594	32,384	88,177	32,609						
Accident & Health															
Accident & Health:															
Other															
Other															
Other	Other	53	—	104	—	537	—	287	—						
Less:	Less:														
Reinsurance															
Reinsurance															
Reinsurance	Reinsurance	1	—	1	—	3	—	3	—						
Total, net of reinsurance	Total, net of reinsurance	52	—	103	—	534	—	284	—						
Total	Total	\$ 31,148	10,779	31,696	10,828	86,128	32,384	88,461	32,609						
Home Service Insurance Segment:	Home Service Insurance Segment:														
Life Insurance															
Home Service Insurance Segment:															
Home Service Insurance Segment:															
Life Insurance:															
Life Insurance:															
Life Insurance:															

Permanent										
Permanent										
Permanent	Permanent	\$	8,372	1,322	8,331	1,319	25,012	3,968	25,079	3,986
Permanent	Permanent									
Limited Pay	Limited Pay		2,154	1,599	2,136	1,568	6,425	4,777	6,279	4,688
Other	Other		178	—	367	—	1,012	—	1,418	—
Less:	Less:									
Reinsurance	Reinsurance		6	—	4	—	23	—	23	—
Reinsurance										
Reinsurance										
Total, net of reinsurance	Total, net of reinsurance		10,698	2,921	10,830	2,887	32,426	8,745	32,753	8,674
Accident & Health										
Accident & Health:										
Other										
Other										
Other	Other		244	—	196	—	667	—	581	—
Total	Total	\$	10,942	2,921	11,026	2,887	33,093	8,745	33,334	8,674
Total										
Total										

The following table provides the weighted-average durations of the liability for future policy benefits.

September 30, 2023									
September 30, 2022									
March 31, 2024									
March 31, 2024									
March 31, 2023									
March 31, 2023									
(In years)	(In years)	Life Insurance	Home Service Insurance	Life Insurance	Home Service Insurance	(In years)	Life Insurance	Home Service Insurance	(In years)
(In years)	(In years)	Life Insurance	Home Service Insurance	Life Insurance	Home Service Insurance	(In years)	Life Insurance	Home Service Insurance	(In years)
Permanent									
Permanent:									
Duration at original discount rate									
Duration at original discount rate									
Duration at original discount rate	Duration at original discount rate	7.8	15.7	7.9	15.3	8.2	16.0	8.1	15.9
Duration at current discount rate									
Duration at current discount rate	Duration at current discount rate	8.2	15.6	8.6	15.4	8.5	15.8	8.4	16.1
Permanent Limited Pay									
Permanent Limited Pay:									
Duration at original discount rate									
Duration at original discount rate									

Duration at original discount rate	Duration at original discount rate	7.9	14.3	7.5	14.3	8.1	14.5	7.6	14.5	
Duration at current discount rate	Duration at current discount rate	7.6	14.4	7.6	15.3	Duration at current discount rate	7.8	14.5	7.6	15.2

September 30, 2023March 31, 2024 | 10-Q 31 23

[Table of Contents](#)

The following table provides the weighted-average interest rates for the liability for future policy benefits.

		September 30, 2023				September 30, 2022							
		Life Insurance		Home Service Insurance		Life Insurance		Home Service Insurance					
Permanent													
March 31, 2024						March 31, 2024				March 31, 2023			
Life Insurance						Life Insurance		Home Service Insurance		Life Insurance		Home Service Insurance	
Permanent:													
Interest rate at original discount rate													
Interest rate at original discount rate													
Interest rate at original discount rate	Interest rate at original discount rate	4.92 %	4.98 %	4.95 %	5.02 %	4.89 %	4.97 %	4.92 %	4.99 %				
Interest rate at current discount rate	Interest rate at current discount rate	5.62 %	5.71 %	5.23 %	5.18 %	Interest rate at current discount rate	5.10 %	5.31 %	%	4.86 %	5.09 %	%	
Permanent Limited Pay													
Permanent Limited Pay:													
Interest rate at original discount rate													
Interest rate at original discount rate													

Interest rate at original discount rate	Interest rate at original discount rate	4.29 %	5.05 %	4.31 %	5.06 %	4.28 %	5.03 %	4.30 %	5.05 %	
Interest rate at current discount rate	Interest rate at current discount rate	5.60 %	5.71 %	5.17 %	5.17 %	Interest rate at current discount rate	5.09 %	5.31 %	4.85 %	5.08 %

LIABILITY FOR POLICYHOLDERS' ACCOUNT BALANCES

The following table presents the policyholders' account balances by range of guaranteed minimum crediting rates and the related range of the difference, in basis points, between rates being credited and the respective guaranteed minimums.

		1 Basis Point-50 Basis Points-At											
		51 Basis Points-150 Basis Points-Total											
September 30, 2023 <i>(In thousands)</i>		Guaranteed Minimum	Points Above	Points Above	Points Above	Points Above	Total						
Range of Guaranteed Minimum Crediting Rates													
March 31, 2024 <i>(In thousands)</i>		At Guaranteed Minimum						March 31, 2024 <i>(In thousands)</i>	At Guaranteed Minimum	1 Basis Point-50 Basis Points Above	51 Basis Points-150 Basis Points Above	Greater Than 150 Basis Points Above	Total
Range of Guaranteed Minimum Crediting Rates:													
0.00% - 1.49%													
0.00% - 1.49%													
0.00% - 1.49%	0.00% - 1.49%	\$ 746	—	1,138	37,233	39,117							
1.50% - 2.99%	1.50% - 2.99%	30,256	675	63	—	30,994							
3.00% - 4.49%	3.00% - 4.49%	104,304	10	—	—	104,314							
Greater or equal to 4.50%	Greater or equal to 4.50%	31,374	—	—	—	31,374							
Total	Total	\$ 166,680	685	1,201	37,233	205,799							
		1 Basis Point-50 Basis Points-At											
		51 Basis Points-150 Basis Points-Total											
September 30, 2022 <i>(In thousands)</i>		Guaranteed Minimum	Points Above	Points Above	Points Above	Points Above	Total						
Range of Guaranteed Minimum Crediting Rates													
March 31, 2023 <i>(In thousands)</i>		At Guaranteed Minimum						March 31, 2023 <i>(In thousands)</i>	At Guaranteed Minimum	1 Basis Point-50 Basis Points Above	51 Basis Points-150 Basis Points Above	Greater Than 150 Basis Points Above	Total

Range of Guaranteed Minimum Crediting Rates:					
0.00% - 1.49%					
0.00% - 1.49%	0.00% - 1.49%	\$ 702	827	41,584	
			—	40,055	
1.50% - 2.99%	1.50% - 2.99%	22,370	603	30	23,003
3.00% - 4.49%	3.00% - 4.49%	96,932	10	—	96,942
Greater or equal to 4.50%	Greater or equal to 4.50%	31,762	—	—	31,762
Total	Total	\$ 151,766	613	857	193,291

September 30, 2023 March 31, 2024 | 10-Q 32 24

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables summarize balances of and changes in policyholders' account balances.

		Supplemental Contracts			
September 30, 2023		Without Life Contingencies	Fixed Annuity	Dividend Accumulations	Premiums Paid in Advance
(In thousands, except for %)					
March 31, 2024		March 31, 2024			
(In thousands, except for %)		Without Life Contingencies	Fixed Annuity	Dividend Accumulations	Premiums Paid in Advance
Balance, beginning of year	Balance, beginning of year	\$ 32,995	86,807	41,663	34,603
Issuances	Issuances	16,086	2,160	474	3,200
Premiums received	Premiums received	85	3,273	4,210	659
Interest credited	Interest credited	1,103	1,988	993	948
Other		1	—	—	—
Interest credited					
Interest credited					
Less:	Less:				
Less:					
Less:					
Surrenders and withdrawals					
Surrenders and withdrawals					

Surrenders and withdrawals	Surrenders and withdrawals	—	7,647	3,238	6,098				
Benefit payments	Benefit payments	8,466	—	—	—				
Balance, end of period	Balance, end of period	\$ 41,804	86,581	44,102	33,312				
Weighted-average crediting rates	Weighted-average crediting rates	4.01 %	3.57 %	3.05 %	2.96 %	Weighted-average crediting rates	3.96	% 3.57 %	3.28 % 2.93 %
Cash surrender value	Cash surrender value	\$ 41,804	86,581	44,102	33,312				
Cash surrender value									
Cash surrender value									

		Supplemental Contracts				Premiums				
September 30, 2022 <i>(In thousands, except for %)</i>		Without Life Contingencies	Fixed Annuity	Dividend Accumulations	Paid in Advance					
March 31, 2023 <i>(In thousands, except for %)</i>						March 31, 2023 <i>(In thousands, except for %)</i>	Supplemental Contracts Without Life Contingencies	Fixed Annuity	Dividend Accumulations	Premiums Paid in Advance
Balance, beginning of year	Balance, beginning of year	\$ 23,950	83,917	37,760	38,875					
Issuances	Issuances	8,787	2,343	435	1,860					
Premiums received	Premiums received	57	3,810	4,044	538					
Interest credited	Interest credited	769	1,966	897	750					
Other		2	—	—	—					
Interest credited										
Interest credited										
Less:	Less:									
Less:										
Less:										
Surrenders and withdrawals										
Surrenders and withdrawals										
Surrenders and withdrawals	Surrenders and withdrawals	—	5,903	2,653	6,047					
Benefit payments	Benefit payments	2,866	—	—	—					
Balance, end of period	Balance, end of period	\$ 30,699	86,133	40,483	35,976					
Weighted-average crediting rates	Weighted-average crediting rates	4.08 %	3.60 %	3.07 %	3.05 %	Weighted-average crediting rates	4.05 %	3.57 %	3.05 %	2.98 %
Cash surrender value	Cash surrender value	\$ 30,699	86,133	40,483	35,976					
Cash surrender value										

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table reconciles policyholders' account balances shown above to the policyholders' account balances liability in the consolidated balance sheets.

(7) COMMITMENTS AND CONTINGENCIES

LITIGATION AND REGULATORY ACTIONS

From time to time, we are subject to legal and regulatory actions relating to our business. We may incur defense costs, including attorneys' fees, and other direct litigation costs associated with defending claims. If we suffer an adverse judgment as a result of litigation claims, it could have a material adverse effect on our business, results of operations and financial condition.

CONTRACTUAL OBLIGATIONS

As of September 30, 2023 March 31, 2024, CICA International is committed to fund investments up to \$30.3 \$25.7 million related to limited partnerships previously described.

CREDIT FACILITY

On May 5, 2021, the Company entered into a \$20 million senior secured revolving credit facility (the "Credit Facility") with Regions Bank ("Regions"). The Credit Facility has a three-year term, maturing on May 5, 2024, and allows the Company to borrow up to \$20 million for working capital purposes, capital expenditures and other corporate purposes.

Revolving loans may be requested by the Company in aggregate minimum principal amounts of \$0.5 million per loan. At the Company's election, the revolving loans may either bear a base rate, which is 1.75% plus a base rate (a fluctuating rate per annum) equal to the greatest of (a) Regions' prime rate, (b) the federal funds rate plus 0.50%, or (c) 0.75%. The Company is required to pay Regions an annual commitment fee of 0.375% of the unused portion of the Credit Facility in quarterly installments, which the Company expenses as it is incurred.

Obligations under the Credit Facility are secured by substantially all of the assets of the Company other than the equity interests in all of the regulated insurance subsidiaries, real estate owned by the Company, and other limited exceptions. The Credit Facility contains customary events of default and financial, affirmative and negative covenants, including but not limited to restrictions on indebtedness, liens, investments, asset dispositions and restricted payments. As of September 30, 2023 March 31, 2024, the Company had not borrowed any funds against the Credit Facility and was not in violation of any covenants.

September 30, 2023 March 31, 2024 | 10-Q 34 26

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

We renewed the line of credit in May 2024 for an additional three years at substantially the same terms as described above.

(8) STOCKHOLDERS' EQUITY AND RESTRICTIONS

STOCK

Our Restated and Amended Articles of Incorporation authorize the issuance of 127,000,000 shares, of which 100,000,000 shares shall be Class A common stock, 2,000,000 shares shall be Class B common stock, and 25,000,000 shall be preferred stock. Both authorized classes of common stock are equal in all respects, except (a) each share of Class A common stock is entitled to receive twice the cash dividends paid on a per share basis to the Class B common stock, if any; and (b) the holders of the Class B common stock have the exclusive right to elect a simple majority of the Board of Directors of Citizens. In April 2021, we repurchased all of the outstanding Class B common stock, which is now classified as treasury stock. As a result, all of the directors are elected by the holders of the Class A common stock. Citizens has never issued any preferred stock.

A summary of the change in the number of shares of Class A and Class B common stock and treasury stock issued is as follows:

Three Months Ended March 31,				Three Months Ended March 31,			
2024				20242023			
				Common	Treasury	Common	Treasury
				Stock	Class	Stock	Stock
(In	(In						
thousands)	thousands)	Class A	B	Stock	Class A	Class B	Stock
Balance							
at							
beginning							
of year							
Stock issued for							
compensation							
Stock issued for							
compensation							

Stock issued for compensation

Nine Months Ended September 30,						
	2023			2022		
	Common		Treasury	Common		Treasury
	Stock	Class		Stock	Class	
	Class	Class	Stock	Class	Class	Stock
(In thousands)	A	B	Stock	A	B	Stock
Balance at beginning of year	53,758	1,002	4,937	53,170	1,002	4,138
Stock issued under stock investment plan	—	—	—	475	—	—
Stock issued for compensation	122	—	—	90	—	—
Acquisition of Class A shares	—	—	325	—	—	615
Balance at end of period						
Other share issuance	—	—	—	22	—	—
Balance at end of period	53,880	1,002	5,262	53,757	1,002	4,753
Balance at end of period						

EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings (loss) per share.

Three Months Ended September 30,		
(In thousands, except per share amounts)		
	2023	2022
Basic and diluted earnings (loss) per share:		
Numerator:		
Net income (loss)	\$ 2,698	3,407
Net income (loss) allocated to Class A common stock	\$ 2,698	3,407
Denominator:		
Weighted average shares of Class A outstanding - basic	49,615	50,075
Weighted average shares of Class A outstanding - diluted	50,522	50,799
Basic earnings (loss) per share of Class A common stock	\$ 0.06	0.07
Diluted earnings (loss) per share of Class A common stock	\$ 0.05	0.06

Three Months Ended March 31,		
(In thousands, except per share amounts)		
	2024	2023
Basic and diluted earnings per share:		
Numerator:		
Net income	\$ 4,542	4,872
Net income allocated to Class A common stock	\$ 4,542	4,872
Denominator:		

Weighted average shares of Class A outstanding - basic	49,564	49,840
Weighted average shares of Class A outstanding - diluted	50,561	50,609
Basic and diluted earnings per share of Class A common stock	\$ 0.09	0.10

September 30, 2023 | 10-Q 35

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Nine Months Ended September 30,

(In thousands, except per share amounts)

	2023	2022
Basic and diluted earnings (loss) per share:		
Numerator:		
Net income (loss)	\$ 13,696	12,348
Net income (loss) allocated to Class A common stock	\$ 13,696	12,348
Denominator:		
Weighted average shares of Class A outstanding - basic	49,739	50,203
Weighted average shares of Class A outstanding - diluted	50,647	50,927
Basic earnings (loss) per share of Class A common stock	\$ 0.28	0.25
Diluted earnings (loss) per share of Class A common stock	0.27	0.24

STATUTORY CAPITAL AND SURPLUS

Each of our regulated insurance subsidiaries is required to meet stipulated regulatory capital requirements. These include capital requirements imposed by the U.S. National Association of Insurance Commissioners ("NAIC") and the Bermuda Monetary Authority ("BMA"). All domestic insurance subsidiaries exceeded the minimum capital requirements at September 30, 2023 March 31, 2024. On March 27, 2024, Citizens and the Colorado Division of Insurance entered into

March 31, 2024 | 10-Q 27

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

a capital maintenance agreement that specifies that Citizens will infuse capital as needed to ensure that CICA Domestic's RBC remains above 350%. As CICA Domestic's RBC exceeded 350% at March 31, 2024, no capital contribution was necessary.

CICA PR International is a Puerto Rico domiciled company. The Insurance Code of Puerto Rico does not specifically set forth minimum capital and surplus standards, but rather requires that an insurer submit a business plan for approval to the Office of the Commissioner of Insurance ("OIC") that includes proposed minimum capital and surplus. CICA PR International is required to maintain a minimum of \$750,000 in capital and maintain a premium to surplus ratio of 7 to 1. CICA PR International began issuing new business as of January 1, 2023 and received the transfer of all of CICA International's Bermuda's in force insurance business as of August 31, 2023. On that date, Citizens entered into a Keep Well Agreement with CICA PR International to replace the Keep Well Agreement that had been in place between Citizens and CICA International (Bermuda). Bermuda. The Keep Well Agreement requires Citizens to contribute up to \$10 million in capital to CICA PR International as necessary to ensure that CICA PR International maintains at least either (i) 112% of its required ratio of premiums to capital and surplus, or (ii) 200% of the minimum capital and surplus requirement, whichever is higher. The initial term of the Keep Well Agreement is 12 months. Since CICA PR's International's capital exceeds both of the metrics, Citizens is not required to make a capital contribution. Any capital that Citizens is required to contribute could negatively impact the Company's capital resources and liquidity.

(9) SEGMENT AND OTHER OPERATING INFORMATION

The Company has two reportable segments: Life Insurance and Home Service Insurance. Our Life Insurance segment issues endowment contracts, which are principally accumulation contracts that incorporate an element of life insurance protection, and ordinary whole life insurance to non-U.S. residents through CICA PR International. These

contracts are designed to provide a fixed amount of insurance coverage over the life of the insured and may utilize rider benefits to provide additional coverage and annuity benefits to enhance accumulations. CICA Domestic issues ordinary whole life, final expense, life products with living benefits, critical illness and credit life and credit disability policies throughout the U.S.

Our Home Service Insurance segment operates through our subsidiaries SPLIC, MGLIC and SPFIC, and focuses on the life insurance needs of the middle- and lower-income markets, primarily in Louisiana, Mississippi and Arkansas. Our policies are sold and serviced through funeral homes and independent agents who sell policies, collect premiums and service policyholders. Our Home Service Insurance segment also sold property insurance policies in Louisiana and Arkansas until operations were ceased effective June 30, 2023.

September 30, 2023 | 10-Q 36

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Life Insurance and Home Service Insurance portions of the Company constitute separate businesses. In addition to the Life Insurance and Home Service Insurance businesses, business, the Company also operates other non-insurance portions of the Company ("Other Non-Insurance Enterprises"), which primarily include the Company's IT and corporate-support functions.

The accounting policies of the reportable segments and Other Non-Insurance Enterprises are presented in accordance with U.S. GAAP and are the same as those described in the summary of significant accounting policies in our Form 10-K. The Company evaluates profit and loss performance based on U.S. GAAP net income (loss) before federal income taxes for its two reportable segments. The Company's Other Non-Insurance Enterprises is represents the only reportable difference between segments and consolidated operations.

Three Months Ended September 30, 2023				
(In thousands)				
	Life Insurance	Home Service Insurance	Other Non-Insurance Enterprises	Consolidated
Revenues:				
Premiums	\$ 31,148	10,878	—	42,026
Net investment income	13,661	3,459	252	17,372
Investment related gains (losses), net	(424)	(370)	(98)	(892)
Other income	884	—	—	884
Total revenues	45,269	13,967	154	59,390
Benefits and expenses:				
Insurance benefits paid or provided:				
Claims and surrenders	32,419	5,304	—	37,723
Increase (decrease) in future policy benefit reserves	(5,587)	1,707	—	(3,880)
Policyholder liability remeasurement (gain) loss	840	184	—	1,024
Policyholders' dividends	1,405	9	—	1,414
Total insurance benefits paid or provided	29,077	7,204	—	36,281
Commissions	5,406	4,038	—	9,444
Other general expenses	6,036	4,293	1,620	11,949
Capitalization of deferred policy acquisition costs	(5,141)	(1,991)	—	(7,132)
Amortization of deferred policy acquisition costs	3,313	743	—	4,056
Amortization of cost of insurance acquired	28	123	—	151
Total benefits and expenses	38,719	14,410	1,620	54,749
Income (loss) before federal income tax	\$ 6,550	(443)	(1,466)	4,641

September 30, 2023 March 31, 2024 | 10-Q 37 28

[Table of Contents](#)

(Unaudited)

Three Months Ended March 31, 2024					Life Insurance	Home Service Insurance	Other Non-Insurance Enterprises	Consolidated
(In thousands)								
Life Insurance								
(In thousands)								
(In thousands)								
Nine Months Ended September 30, 2023					Life Insurance	Home Service Insurance	Other Non-Insurance Enterprises	Consolidated
(In thousands)								
Revenues:								
Revenues:								
Revenues:	Revenues:							
Premiums	Premiums	\$ 86,128	33,873	—	120,001			
Net investment income	Net investment income	40,470	10,379	838	51,687			
Investment related gains (losses), net	Investment related gains (losses), net	(123)	(283)	(71)	(477)			
Other income	Other income	2,619	1	—	2,620			
Total revenues	Total revenues	129,094	43,970	767	173,831			
Benefits and expenses:	Benefits and expenses:							
Insurance benefits paid or provided:	Insurance benefits paid or provided:							
Claims and surrenders	Claims and surrenders	83,826	16,972	—	100,798			
Increase (decrease) in future policy benefit reserves	Increase (decrease) in future policy benefit reserves	(9,270)	3,468	—	(5,802)			
Policyholder liability remeasurement (gain) loss	Policyholder liability remeasurement (gain) loss	2,541	319	—	2,860			
Policyholders' dividends	Policyholders' dividends	3,761	22	—	3,783			
Total insurance benefits paid or provided	Total insurance benefits paid or provided	80,858	20,781	—	101,639			
Commissions	Commissions	14,930	12,410	—	27,340			
Other general expenses	Other general expenses	17,141	13,060	5,276	35,477			
Capitalization of deferred policy acquisition costs	Capitalization of deferred policy acquisition costs	(13,958)	(6,076)	—	(20,034)			
Amortization of deferred policy acquisition costs	Amortization of deferred policy acquisition costs	9,642	1,902	—	11,544			
Amortization of cost of insurance acquired	Amortization of cost of insurance acquired	86	379	—	465			

Total benefits and expenses	Total benefits and expenses	108,699	42,456	5,276	156,431
Income (loss) before federal income tax	Income (loss) before federal income tax	\$ 20,395	1,514	(4,509)	17,400

September 30, 2023 March 31, 2024 | 10-Q 38 29

[Table of Contents](#)

CITIZENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Three Months Ended September 30, 2022		Home Service Insurance		Other Non-Insurance Enterprises	Consolidated
(In thousands)		Life Insurance	Insurance		
Revenues:					
Premiums	\$	31,696	12,179	—	43,875
Net investment income		12,806	3,527	271	16,604
Investment related gains (losses), net		(4,367)	(462)	(162)	(4,991)
Other income		682	—	6	688
Total revenues		40,817	15,244	115	56,176
Benefits and expenses:					
Insurance benefits paid or provided:					
Claims and surrenders		24,742	5,987	—	30,729
Increase (decrease) in future policy benefit reserves		426	227	—	653
Policyholder liability remeasurement (gain) loss		(445)	841	—	396
Policyholders' dividends		1,382	7	—	1,389
Total insurance benefits paid or provided		26,105	7,062	—	33,167
Commissions		5,103	4,107	—	9,210
Other general expenses		6,016	4,228	1,315	11,559
Capitalization of deferred policy acquisition costs		(4,592)	(1,780)	—	(6,372)
Amortization of deferred policy acquisition costs		3,081	543	—	3,624
Amortization of cost of insurance acquired		32	134	—	166
Total benefits and expenses		35,745	14,294	1,315	51,354
Income (loss) before federal income tax	\$	5,072	950	(1,200)	4,822

September 30, 2023 | 10-Q 39

[Table of Contents](#)

Three Months Ended March 31, 2023		Home Service Insurance		Other Non-Insurance Enterprises	Consolidated
(In thousands)		Life Insurance	Insurance		
Revenues:					
Premiums	\$	26,207	12,042	—	38,249
Net investment income		13,311	3,470	293	17,074
Investment related gains (losses), net		(437)	99	50	(288)
Other income		879	—	—	879

Total revenues	39,960	15,611	343	55,914
Benefits and expenses:				
Insurance benefits paid or provided:				
Claims and surrenders	24,439	5,860	—	30,299
Increase (decrease) in future policy benefit reserves	(1,820)	842	—	(978)
Policyholder liability remeasurement (gain) loss	816	64	—	880
Policyholders' dividends	1,101	7	—	1,108
Total insurance benefits paid or provided	24,536	6,773	—	31,309
Commissions	4,759	4,254	—	9,013
Other general expenses	5,459	4,468	1,333	11,260
Capitalization of deferred policy acquisition costs	(4,360)	(1,998)	—	(6,358)
Amortization of deferred policy acquisition costs	3,162	652	—	3,814
Amortization of cost of insurance acquired	32	129	—	161
Total benefits and expenses	33,588	14,278	1,333	49,199
Income (loss) before federal income tax	\$ 6,372	1,333	(990)	6,715

CITIZENS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Nine Months Ended September 30, 2022				
<i>(In thousands)</i>	Life Insurance	Home Service Insurance	Other Non-Insurance Enterprises	Consolidated
Revenues:				
Premiums	\$ 88,461	37,002	—	125,463
Net investment income	37,124	10,054	805	47,983
Investment related gains (losses), net	(8,644)	(1,629)	(316)	(10,589)
Other income	2,403	1	6	2,410
Total revenues	119,344	45,428	495	165,267
Benefits and expenses:				
Insurance benefits paid or provided:				
Claims and surrenders	67,768	18,492	—	86,260
Increase (decrease) in future policy benefit reserves	4,808	(311)	—	4,497
Policyholder liability remeasurement (gain) loss	549	1,182	—	1,731
Policyholders' dividends	4,241	16	—	4,257
Total insurance benefits paid or provided	77,366	19,379	—	96,745
Commissions	13,701	12,106	—	25,807
Other general expenses	17,065	12,093	3,831	32,989
Capitalization of deferred policy acquisition costs	(12,205)	(5,132)	—	(17,337)
Amortization of deferred policy acquisition costs	9,051	1,600	—	10,651
Amortization of cost of insurance acquired	94	352	—	446
Total benefits and expenses	105,072	40,398	3,831	149,301
Income (loss) before federal income tax	\$ 14,272	5,030	(3,336)	15,966

September 30, 2023 | 10-Q 40

[Table of Contents](#)

(10) INCOME TAXES

The effective tax rate is the ratio of tax expense (benefit) over pre-tax income (loss). income. The effective tax rate was 41.9% and 21.3% 7.8% for the three and nine months ended September 30, 2023 March 31, 2024, compared to 29.3% and 22.7% 27.4% for the same periods period in 2022, 2023, respectively. CICA International Bermuda and CICA PR International are considered controlled foreign corporations for federal income tax purposes. As a result, the insurance activity of CICA International Bermuda and CICA PR International are subject to Subpart F of the Internal Revenue Code and are included in Citizens' taxable income. Due to the 0% enacted tax rate in Bermuda, there are no deferred taxes recorded for CICA International's Bermuda's temporary differences. CICA PR has applied for The Government of Puerto Rico approved a tax exemption decree from the Government of Puerto Rico for CICA International which will freeze freezes the income tax rate at 0% on taxable earnings up to \$1.2 million and 4% on any taxable earnings in excess of \$1.2 million. million for a minimum of 15 years. The effective tax rate varies from the prevailing corporate federal income tax rate of 21.0% mainly due to the impact of Subpart F and uncertain tax positions.

As a result of the August 31, 2023 transfer of CICA International's in force business to CICA PR, the Company's consolidated deferred federal income tax liability was reduced by \$4.3 million due to the difference in the tax rates in the jurisdictions in which the companies operate. Since the transfer was between companies under common control, the \$4.3 million reduction in the deferred federal income tax liability was recorded as a credit to equity, \$1.3 million of which increased retained earnings At March 31, 2024 and \$3.0 million of which reduced accumulated other comprehensive income (loss), based on the nature of the tax components.

At September 30, 2023, 2023, we determined it was more likely than not that a portion of our capital deferred tax assets would not be realized in their entirety. The Company recorded a valuation allowance allowances of \$6.2 million \$4.6 million and \$3.7 million, respectively, through Other Comprehensive Income (Loss).

September 30, 2023 March 31, 2024 | 10-Q 41 30

(11) OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of other comprehensive income (loss) are reported net of the effects of income taxes of 21% for domestic entities domiciled in the United States and 4% for entities domiciled in Puerto Rico. Rican entities for the three and nine months ended September 30, 2023, March 31, 2024 and 2022, 2023, as indicated below.

Three Months Ended September 30,								2023		2022				
Three Months Ended March 31,														
Three Months Ended March 31,														
Three Months Ended March 31,								2024		2023				
(In thousands)	(In thousands)	Amount	Tax Effect	Total	Amount	Tax Effect	Total	(In thousands)	Amount	Tax Effect	Total	Amount	Tax Effect	Total
Unrealized gains (losses):	Unrealized gains (losses):													
Unrealized holding gains (losses) arising during the period	Unrealized holding gains (losses) arising during the period	\$(59,817)	8,717	(51,100)	(88,382)	398	(87,984)							
Reclassification adjustment for losses (gains) included in net income (loss)		419	(88)	331	43	(9)	34							
Unrealized holding gains (losses), net		(59,398)	8,629	(50,769)	(88,339)	389	(87,950)							
Change in current discount rate for liability for future policy benefits		60,054	(7,589)	52,465	73,214	(205)	73,009							

Other comprehensive income (loss)		\$	656	1,040	1,696	(15,125)	184	(14,941)
Nine Months Ended September 30,			2023			2022		
(In thousands)		Amount	Tax Effect	Total	Amount	Tax Effect	Total	
Unrealized gains (losses):								
Unrealized holding gains (losses) arising during the period	Unrealized holding gains (losses) arising during the period	\$ (36,811)	7,548	(29,263)	(340,678)	13,790	(326,888)	
Reclassification adjustment for losses (gains) included in net income (loss)		481	(101)	380	78	(16)	62	
Unrealized holding gains (losses) arising during the period								
Reclassification adjustment for losses (gains) included in net income								
Unrealized holding gains (losses), net	Unrealized holding gains (losses), net	(36,330)	7,447	(28,883)	(340,600)	13,774	(326,826)	
Change in current discount rate for liability for future policy benefits	Change in current discount rate for liability for future policy benefits	45,825	(6,565)	39,260	345,258	(19,936)	325,322	
Other comprehensive income (loss)	Other comprehensive income (loss)	\$ 9,495	882	10,377	4,658	(6,162)	(1,504)	
Other comprehensive income (loss)								
Other comprehensive income (loss)								

(12) RELATED PARTY TRANSACTIONS

The Company has various routine related party transactions in conjunction with our holding company structure, such as a management service agreement related to costs incurred, a tax sharing agreement between entities, and inter-company dividends and capital contributions. There were no changes related to these relationships during the nine three months ended September 30, 2023 March 31, 2024 except as described in Note 1, 1. Financial Statements under Basis of Presentation and Consolidation. See our Form 10-K for a comprehensive discussion of related party transactions.

(13) SUBSEQUENT EVENTS

The Company has evaluated the impact of subsequent events as defined by the accounting guidance through the date this report was issued and determined that no other significant subsequent events need to be recognized or disclosed at this time.

September 30, 2023 March 31, 2024 | 10-Q 42 31

[Table of Contents](#)

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This section and other parts of this Quarterly Report on Form 10-Q ("Form 10-Q") contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions including those factors discussed in the "Risk Factors" contained in our Annual Report on [Form 10-K](#) for the year ended December 31, 2022 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2023 and June 30, 2023 December 31, 2023, which are is incorporated herein by reference.

The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in [Part I, Item 1](#) of this Form 10-Q. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

The U.S. Securities and Exchange Commission ("SEC") maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC. The public can obtain any documents that the Company files with the SEC at <http://www.sec.gov>. We also make available, free of charge, through our website (<http://www.citizensinc.com>), our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Section 16 Reports filed by officers and directors, news releases, and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after we electronically file such reports with, or furnish such reports to, the SEC. We are not including any of the information contained on our website as part of, or incorporating it by reference into, this Form 10-Q.

OVERVIEW

For almost 50⁵⁵ years, we have been fulfilling the needs of our policyholders and their families by providing insurance products that offer both living and death benefits. Citizens operates conducts insurance related operations through its insurance subsidiaries, located in the United States, including Puerto Rico, and provides which provide benefits to policyholders located throughout the United States and in over 75 different countries. We specialize in offering primarily ordinary whole life insurance, endowment products and final expense insurance in niche markets where we believe we can optimize our competitive position.

As an insurance provider, we collect premiums on an ongoing basis from our policyholders and invest the majority of the premiums to pay future benefits, including claims, and surrenders and policyholder dividends. Accordingly, the Company derives its revenues principally from: (1) life insurance premiums earned for insurance coverages provided to insureds in our two operating segments – Life Insurance and Home Service Insurance; and (2) net investment income. In addition to paying and reserving for insurance benefits that we pay to our policyholders, our expenses consist primarily of the costs of selling our insurance products (e.g., commissions, underwriting, marketing expenses), operating expenses and income taxes.

Objective of our Management's Discussion and Analysis

We refer to our Management's Discussion and Analysis of Financial Condition and Results of Operations as our "MD&A". The objective of our MD&A is to provide investors with information in order to assess the material changes in our financial condition from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024 and the material changes in our results of operations for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same periods period in 2022, 2023. We also discuss in the MD&A any trends that we believe may materially affect our future operations or financial condition. Prior year amounts have been revised to reflect the implementation ASU 2018-12 as noted in Part I, Item

September 30, 2023 March 31, 2024 | 10-Q 43 32

[Table of Contents](#)

1, Note 1. Financial Statements - "Significant Accounting Policies" and Note 2. Accounting Pronouncements in the notes to our consolidated financial statements.

The Factors that Drive our Operating Results

We see the following as the primary factors that drive our operating results:

- Sales (i.e., premium revenues)

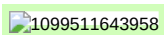
- Investments
- Claims and surrenders
- Operating expenses

Premium revenues and investment income are our two primary sources of income and thus key to our profitability.

Premium revenues consist of both all money deposited by customers into new and existing insurance policies. We believe sales which lead statistics are meaningful to first year premiums, gaining an understanding of, among other things, the attractiveness of our new products, how expansion of our distribution channels affects our revenue, customer retention and "resells" (i.e., retaining the policy), which lead performance of our business from period-to-period. Throughout the MD&A, we describe the actions and initiatives that we are taking to renewal premiums, increase sales and improve retention, sales performance in each period and as compared to prior periods, and how we view trends with respect to sales and retention. Because we ceased operations in our property insurance business effective June 30, 2023, the premiums charts below only reflect life insurance and accident and health insurance ("A&H") premium results.



OurIn the last 2 years, we have received 9 new state licenses, developed new final expense and living benefit products, and entered into new white label and other distribution agreements, leading to an increase in first year life and A&H premiums increased in the three and nine months ended September 30, 2023 by 15% due primarily(i.e., new sales) of 42% from 2023 to new products available for sale in both segments supported by focused marketing campaigns. 2024.



Our renewal life and A&H premium revenues decreased in the three and nine months ended September 30, 2023 by 3% and 4%, respectively, March 31, 2024 decreased slightly primarily due to the impact of a higher level of surrenders and matured endowments during the last few years (i.e., fewer (and thus a lower amount of policies from which to collect paying renewal premiums), and from matured endowment benefits, which we expected due to contractual expiration dates.

September 30, 2023 March 31, 2024 | 10-Q 44 33

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS



Our net investment income increased for the three and nine months ended September 30, 2023 March 31, 2024 by 5% and 8%, respectively, 2% compared to the same prior year periodsperiod due primarily to a higher average portfolio yield resulting from the higher interest rate environment and investment income from our limited partnership investments. investments and a growing diversified invested asset base.



Payment of policyholder benefits for claims and surrenders is our largest expense and thus also key to our profitability. The three main largest components of this expense are reflected in the graphs above. In the three and nine months ended September 30, 2023 March 31, 2024 compared to the prior year periods: period:

- Death claim benefits decreased increased due to a lower number of reported death claims. the increase in policies issued over the last few years.
- Surrenders increased, which decreased slightly as we believe is due continue to the number of our international life policies that are nearing maturity as well as policies that have passed their surrender charge period. focus on retention efforts.
- Matured endowments increased as expected due to many of our endowment policies reaching their contractual maturity dates.



Operating expenses are our second largest expense and thus also drive our operating results. Our general operating expenses for the three months ended March 31, 2024 increased slightly compared to the prior year period as we continue to invest in the growth of our business.

September 30, 2023 March 31, 2024 | 10-Q 45 34

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

Operating expenses are our second largest expense and thus also drive our operating results. Our general operating expenses for the three and nine months ended September 30, 2023 increased compared to the prior year periods. The increase was primarily driven by costs related to strategic growth initiatives and costs related to moving our international business from Bermuda to Puerto Rico. The transfer of the international business was completed on August 31, 2023.

FINANCIAL HIGHLIGHTS

4566' 549755874445

Our net income was \$2.7 million and \$13.7 million for the three and nine months ended September 30, 2023, respectively, compared to net income of \$3.4 million and \$12.3 million in the prior year periods, respectively. The increase in net income for the nine months ended September 30, 2023 is primarily driven by the improvements in the fair value of our limited partnership investments, which are recorded as investment related gains (losses) in our financial statements, as well as higher net investment income in the current year period. These improvements were partially offset by lower renewal year premiums in our life insurance business, lower property insurance premiums due to ceasing this line of business on June 30, 2023, higher general operating expenses and higher insurance benefits paid or provided, which as explained above is primarily due to higher surrenders and matured endowments.

Net revenue decreased from \$4.9 million in the three months ended September 30, 2023 improved as compared March 31, 2023 to \$4.5 million in the three months ended September 30, 2022 for the same reasons as described above, however, March 31, 2024. Total revenues increased by \$1.8 million due primarily to higher life insurance premium revenue, higher investment related gains and losses and higher net investment income. We also had a \$1.5 million reduction in federal income tax expense. This was more than offset by total benefits and expenses, which increased by \$3.6 million due primarily to \$3.5 million of higher death claims and matured endowment benefits paid. We also incurred \$1.4 million in the period was negatively impacted by \$1.2 million lower property insurance premiums higher commissions paid due to no the large increase in first year sales, in the quarter versus the prior year quarter. Both current-year periods were negatively impacted by which have a higher policyholder remeasurement losses primarily due to unfavorable surrender experience in the Life Insurance segment. commission rate than renewal sales.

Our basic net income per share of Class A common stock was \$0.06 and \$0.28 \$0.09 for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to \$0.07 and \$0.25 \$0.10 in prior year periods. period.

Financial Condition at September 30, 2023 March 31, 2024

- Total assets of \$1.6 billion \$1.7 billion
- Total investments of \$1.3 billion \$1.4 billion; fixed maturity securities comprised 87% 88% of total investments
- \$4.8 5.0 billion of direct insurance in force

September 30, 2023 | 10-Q 46

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

- No debt
- Fully diluted income per share of Class A common stock of \$0.27 \$0.09
- Book value per share of Class A common stock of \$3.08, \$3.94

EVENTS THAT IMPACTED OUR BUSINESS

From time-to-time, certain events may affect our business in ways that cause current or future results to differ from past results. In addition to factors described in [See Part II, Item 1A, 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Events that Impacted Our Business"](#) in our "Risk Factors" Annual Report on 10-K, for the following period ended December 31, 2023 for a discussion of certain events may that have impacted and continue to impact our results of operations or financial condition.

INFLATION

The impact of inflation, which has led to market volatility starting in early 2022, has affected the fair value of our equity securities, leading to investment related losses in 2022 and the three and nine months ended September 30, 2023. Investment related gains and losses can cause significant fluctuations from period to period and are not indicative of our operating results. We believe that investment related gains and losses, whether realized from dispositions or unrealized from changes in market prices of equity securities, have no bearing in understanding our reported results or in evaluating the economic performance of our business. These gains and losses have caused, and we believe will continue to cause, significant volatility in our periodic earnings.

We could experience higher surrenders and lapses and fewer sales as our policyholders conserve cash due to concerns over business, including inflation and rising costs, particularly in our Home Service Insurance segment, whose customer base is primarily middle- and lower-income individuals.

RISING INTEREST RATES

Interest rates began to rise significantly in 2022 after being ultra-low for almost a decade, and have continued to rise in 2023. Higher interest rates typically reduce the market values of fixed income assets, as the interest payments on existing fixed income assets become less competitive relative to newer higher rate fixed income instruments. Because of this, we reported pre-tax net unrealized losses of \$238.0 million on our available-for-sale securities at September 30, 2023. This compares to pre-tax net unrealized losses of \$201.7 million at December 31, 2022, with the year-over-year change primarily driven by market interest rates. However, because we strive to match our asset duration to our liability duration, as a life insurer, the vast majority of our total investments are invested in longer-term fixed maturity securities and we expect the market values to recover prior to the maturity dates of most of these investments.

Another impact volatility, rising interest rates may have on our business is that policyholders may surrender their policies in order to utilize the cash values to seek higher crediting rates through other types of investments.

CEASING OPERATIONS OF OUR PROPERTY INSURANCE BUSINESS

The Company made a strategic decision to exit the property insurance business on June 30, 2023. This business focused on selling limited liability property insurance policies in Louisiana and Arkansas. This decision has negatively impacted our current year premium revenues and financial results. We are contractually obligated to pay the majority of the remaining premiums for our catastrophic reinsurance through the end of 2023. Because we ceased ceasing operations at the end of the second quarter, the property insurance premium amounts reflected in our income statements for the nine months ended September 30, 2023 reflect the remaining amount due of \$0.7 million under the reinsurance contract for 2023. Additionally, we did not collect premiums in the third quarter of 2023, as we did in the third quarter of 2022. Accordingly, property premium revenue is less for the three and nine months ended September 30, 2023 compared to the prior year periods.

The property insurance business operates through SPFIC and represented less than 1% of the Company's total consolidated assets as of September 30, 2023 and less than 1% of the Company's total consolidated revenues for the nine months ended September 30, 2023. The cessation of this business is not reported as a discontinued

September 30, 2023 | 10-Q 47

Table of Contents

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

operation because it is immaterial to our total operations. Additionally, there were no material charges incurred in relation to the exit of our property insurance operations, business.

OUR OPERATING SEGMENTS

We manage our business in two operating segments: Life Insurance and Home Service Insurance.

Our insurance operations are the primary focus of the Company, as these operations generate most of our income. See the discussion under Segment Operations below for detailed analysis. The amount of insurance,

March 31, 2024 | 10-Q 35

Table of Contents

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

number of policies, and average face amounts for ordinary life policies issued during the periods indicated are shown below.

Nine Months Ended September 30,			2023			2022							
Three Months Ended March 31,													
						Three Months Ended March 31,			2024		2023		
	Average			Average					Average			Average	
	Number	Policy	Face	Number	Policy	Face							
Amount of Insurance Issued	of Policies Issued	Face Amount Issued	Amount of Insurance Issued	of Policies Issued	Face Amount Issued	Amount of Insurance Issued	of Policies Issued	Face Amount Issued	Amount of Insurance Issued	of Policies Issued	Face Amount Issued	Amount of Insurance Issued	

Ordinary Life Policies:	Ordinary Life Policies:						
Life Insurance		\$277,867,815	3,481	\$79,824	\$253,040,853	3,022	\$83,733
Life Insurance:							
Life Insurance:							
Life Insurance:							
International							
International							
International							
Domestic							
Total Life Insurance							
Home Service Insurance	Home Service Insurance	226,307,076	17,501	12,931	205,218,816	21,045	9,751
Total	Total	\$504,174,891	20,982		\$458,259,669	24,067	

As we previously disclosed, our strategic initiatives include the introduction of new products tailored to our specific markets, markets and expansion of our distribution channels both domestically and internationally. These new products and distribution channels helped drive the 10% 61% increase in total insurance issued in the nine three months ended September 30, 2023 March 31, 2024, from \$458.3 million \$170.3 million in the first nine three months of 2022 2023 to \$504.2 million \$274.5 million in 2023. Both of our segments experienced an increase in insurance issued with a higher number of policies issued in our Life Insurance segment and higher policy face amounts issued in our Home Service Insurance segment, 2024.

The growth in our Life Insurance segment is primarily attributable to strong sales from the international whole life product introduced in 2022, of our new domestic final expense products, which accounted for 68% the majority of total the insurance issued in this segment for the nine months ended September 30, 2023 through March 31, 2024. The Life Insurance segment also benefited from our new white label partnerships and final expense products introduced domestically, sales from the international whole life product which accounted for over 18% 67% of total insurance issued internationally in this segment for the number of policies issued, three months ended March 31, 2024.

Insurance issued in our Home Service Insurance segment decreased for the three months ended March 31, 2024 compared to prior year period as we continue to make changes to our agents' compensation structures to improve the quality of sales in this segment and believe the impact of inflation has affected new sales since the customer demographic is primarily middle- and lower-income individuals.

September 30, 2023 March 31, 2024 | 10-Q 48 36

[Table of Contents](#)

CONSOLIDATED RESULTS OF OPERATIONS

A discussion of consolidated results is presented below, followed by a discussion of segment operations and financial results by segment.

REVENUES

Our revenues are generated primarily by insurance renewal premiums and investment income from invested assets.

	Three Months Ended September 30,	Nine Months Ended September 30,
	Three Months Ended	
	Three Months Ended	

Three Months Ended					March 31,	
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)
Revenues:					2024	2023
Revenues:						
Premiums:	Premiums:				Premiums:	
Life insurance	Life insurance	\$41,794	42,423	118,020	120,930	
Accident and health insurance	Accident and health insurance	296	299	1,201	865	
Property insurance	Property insurance	(64)	1,153	780	3,668	
Net investment income	Net investment income	17,372	16,604	51,687	47,983	
Investment related gains (losses), net	Investment related gains (losses), net	(892)	(4,991)	(477)	(10,589)	
Other income	Other income	884	688	2,620	2,410	
Total revenues	Total revenues	\$59,390	56,176	173,831	165,267	

Premium Income. Despite Total revenues increased in March 31, 2024, as we had higher first year premium revenues in both segments, life insurance premium revenues decreased premiums, investment related gains, compared to losses in the three same period in 2023, and nine months ended September 30, 2023 compared to the same periods in 2022 due to lower renewal premiums. Accident and health insurance premiums increased for the nine months ended September 30, 2023 due to sales of our new critical illness products that were launched in late 2022. Property insurance premiums were negatively impacted for the three and nine months ended September 30, 2023 compared to the same periods in 2022 as we higher net investment income. The Company stopped accepting renewal premiums for property insurance at the end of May and ceased our operations on June 30, 2023.

Three Months Ended		
March 31,		
(In thousands)	2024	2023
Premiums:		
First year	\$ 5,931	4,206
Renewal	32,742	34,043
Total premiums	\$ 38,673	38,249

Premium Income. Total premiums increased in the three months ended March 31, 2024 compared to the same period in 2023 due to strong first year premium growth primarily in our Life Insurance segment. The increase in first year premiums is partially offset by lower renewal year premiums as we stopped accepting renewal premiums in our property insurance business at the end of May 2023, and a decline in Life Insurance segment renewal year premiums.

September 30, 2023 March 31, 2024 | 10-Q 49 37

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

Net Investment Income. A summary of our net investment income and annualized net investment income performance are summarized as follows:

		Three Months Ended September 30,	Nine Months Ended September 30,				
		Three Months Ended	Three Months Ended				
		Three Months Ended	Three Months Ended				
		Three Months Ended	Three Months Ended				
		March 31,					March 31,
(In thousands, except for %)	(In thousands, except for %)	2023	2022	2023	2022	(In thousands, except for %)	2024
							2023
Gross investment income:							
Gross investment income:							
Gross investment income:	Gross investment income:						
Fixed maturity securities	Fixed maturity securities	\$15,005	14,994	44,956	43,136		
Equity securities	Equity securities	127	158	451	453		
Policy loans	Policy loans	1,478	1,535	4,531	4,641		
Long-term investments	Long-term investments	1,249	505	3,261	1,604		
Other investment income	Other investment income	166	87	430	139		
Total investment income	Total investment income	18,025	17,279	53,629	49,973		
Investment expenses	Investment expenses	(653)	(675)	(1,942)	(1,990)		
Net investment income	Net investment income	\$17,372	16,604	51,687	47,983		
Net investment income, annualized	Net investment income, annualized		\$	68,916	63,977		
Net investment income, annualized							
Net investment income, annualized							
Average invested assets, at amortized cost	Average invested assets, at amortized cost			\$1,520,389	1,482,651		

Annualized yield on average invested assets	Annualized yield on average invested assets	4.53 %	4.30 %	Annualized yield on average invested assets	4.59 %	4.50 %
---	---	--------	--------	---	--------	--------

Due to insurance regulations, fixed maturity securities constitute the vast majority, or **87% 88%**, of our investment portfolio based on fair value and thus provide the vast majority of our investment income. Our total investment income increased by **4% and 7% 2%** for the three **and nine** months ended **September 30, 2023, respectively, March 31, 2024** compared to the same **periods period** in **2022, 2023**, primarily due to a higher average portfolio yield on our fixed maturity securities in the current period. Long-term investment income increased as our private equity investment asset base grew. **Our yield increased 23 basis points to 4.53% in the nine months of 2023 compared to the prior year period due to investing in the rising interest rate environment.**

Investment Related Gains (Losses), Net. We recorded investment related **losses gains** during the three **and nine** months ended **September 30, 2023 March 31, 2024** of **\$0.9 million and \$0.5 million \$1.0 million** compared to losses of **\$5.0 million and \$10.6 million \$0.3 million** during the same prior year **periods, period**. As described above, the gains and losses are primarily related to the fair value change of our limited partnership and equity securities investments, mostly in our Life Insurance segment, due to the volatility in equity markets over the past year. We did not sell these investments; however, the changes in fair values of our equity securities are reflected as investment related gains or losses in our income statement, in addition to executed transactions that result in a gain or loss.

Other Income. Other income consists primarily of supplemental contracts issued to policyholders in our Life Insurance segment upon the surrender or maturity of their original policies.

September 30, 2023 March 31, 2024 | 10-Q **50 38**

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

BENEFITS AND EXPENSES

		Three Months Ended September 30,		Nine Months Ended September 30,			Three Months Ended March 31,	
		September 30,		September 30,			March 31,	
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	2024	2023
Benefits and expenses:								
Benefits and expenses:								
Benefits and expenses:	Benefits and expenses:							
Insurance benefits paid or provided:	Insurance benefits paid or provided:					Insurance benefits paid or provided:		
Claims and surrenders	Claims and surrenders	\$37,723	30,729	100,798	86,260			
Increase (decrease) in future policy benefit reserves	Increase (decrease) in future policy benefit reserves	(3,880)	653	(5,802)	4,497			
Policyholder liability remeasurement (gain) loss	Policyholder liability remeasurement (gain) loss	1,024	396	2,860	1,731			
Policyholders' dividends	Policyholders' dividends	1,414	1,389	3,783	4,257			

Total insurance benefits paid or provided	Total insurance benefits paid or provided	36,281	33,167	101,639	96,745
Commissions	Commissions	9,444	9,210	27,340	25,807
Other general expenses	Other general expenses	11,949	11,559	35,477	32,989
Capitalization of deferred policy acquisition costs	Capitalization of deferred policy acquisition costs	(7,132)	(6,372)	(20,034)	(17,337)
Amortization of deferred policy acquisition costs	Amortization of deferred policy acquisition costs	4,056	3,624	11,544	10,651
Amortization of cost of insurance acquired	Amortization of cost of insurance acquired	151	166	465	446
Total benefits and expenses	Total benefits and expenses	\$54,749	51,354	156,431	149,301

Payments of claims and surrenders benefits constitute the majority of our expenses. Total benefits and expenses increased in the three and nine months ended September 30, 2023 March 31, 2024 as compared to same periods period in 2022 2023 driven by higher surrenders death claims and matured endowments.

Claims and Surrenders.

		Three Months Ended September 30,		Nine Months Ended September 30,			
		Three Months Ended		Three Months Ended		Three Months Ended	
		March 31,				March 31,	
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	
Claims and Surrenders:							
Claims and surrenders:							
Claims and surrenders:							
Claims and surrenders:							
Death claim benefits							
Death claim benefits							
Death claim benefits	Death claim benefits	\$ 4,984	6,089	16,002	18,979		
Surrender benefits	Surrender benefits	17,264	12,597	44,570	36,463		
Endowment benefits	Endowment benefits	1,932	2,131	6,117	6,417		
Matured endowment benefits	Matured endowment benefits	11,080	8,470	28,907	20,737		
Property claims	Property claims	129	326	837	631		
A&H and other policy benefits	A&H and other policy benefits	2,334	1,116	4,365	3,033		

Total claims and surrenders	Total claims and surrenders	\$37,723	30,729	100,798	86,260
Total claims and surrenders					
Total claims and surrenders					

Death claim benefits decreased increased for the three and nine months ended September 30, 2023 March 31, 2024 compared to the same periods period in 2022 2023 due primarily to a lower higher volume of reported death claims. claims as a result of the increase in policies issued over the past few years.

Surrender benefits increased decreased slightly for the three and nine months ended September 30, 2023 March 31, 2024 compared to the same periods period in 2022 due to surrenders 2023. Surrenders are primarily related to international policies that are nearing maturity as well as policies that have passed their surrender charge period. While we We have implemented retention initiatives over the past few years, which we believe are helping to decrease surrenders, but we believe that the high interest rates are negatively affecting these efforts, as policyholders surrender their policies to re-invest the cash values in higher interest rate products.

September 30, 2023 March 31, 2024 | 10-Q 51 39

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

Matured endowment benefits increased for the three and nine months ended September 30, 2023 March 31, 2024 compared to the same periods period in 2022 2023. We anticipated this increase based upon the contractual maturity dates of the policies.

Explanation of other benefits and expenses

Increase (Decrease) in Future Policy Benefit Reserves. Future policy benefit reserves reflect the liability established to provide for the payment of policy benefits that we expect to pay in the future and thus generally increase when we have a larger in force block of business due to higher sales and better persistency (i.e., more policies on which we expect to pay future benefits) and decrease when we have lower sales and persistency. In the three and nine months ended September 30, 2023 March 31, 2024, the change in future policy benefit reserves decreased increased compared to the same prior year periods despite period from increases in insurance issued and increases in our in force block of business due to somewhat offset by the amount of reserves released in connection with the death claims, surrenders and higher matured endowments and surrenders. endowment benefits.

Policyholder Liability Remeasurement (Gain) Loss. Most of our products are long-duration contracts that provide a specified, fixed amount of insurance benefit in exchange for a fixed premium. When a policy is initially issued, we establish a "net premium ratio" ("NPR") using assumptions regarding expected premiums and policyholder benefit liabilities. On a quarterly basis, we review actual versus expected experience in such quarter, which is reported as a policyholder liability remeasurement gain (if better performance than assumptions) or loss (if lower performance than assumptions). Additionally, in the third quarter of each year, we update our cash flow assumptions to recalculate the NPR, with the impact on the liability for future policy benefits recognized as a policyholder liability remeasurement on a retrospective catch up basis.

Commissions. Commission expenses are a cost of acquiring business, as commissions are the primary compensation paid to our independent consultants and independent agents for selling our products. First year commission rates are higher than renewal commission rates and thus commissions fluctuate directly in relation to first year sales. As discussed above, in the three months ended March 31, 2024, we experienced a 41% increase in first year sales leading to an increase in commission related expenses.

Other General Expenses. General expenses increased slightly in the three and nine months ended September 30, 2023 March 31, 2024, compared to the same periods period in 2022. The increase was primarily driven by costs related to strategic growth initiatives and costs related to moving our international business from Bermuda to Puerto Rico, 2023.

Capitalization and Amortization of Deferred Policy Acquisition Costs. Costs capitalized We capitalize costs related to successful sales of our insurance products, which include certain commissions, policy issuance costs, and underwriting and agency expenses expenses. These costs vary based upon amounts of premiums received related to new and renewal business. Capitalized DAC increased in the three months ended March 31, 2024, which is in line with the increases in new sales activity. Significantly lower amounts are capitalized related to renewal business in correlation with the lower commissions paid on that relate business compared to successful sales efforts for insurance contracts and thus fluctuate primarily with first year sales. business, which has higher commission rates.

Amortization of Deferred Policy Acquisition Costs. Amortization of DAC increased in the three months ended March 31, 2024, compared to the same period in 2023. DAC is amortized on a constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization.

SEGMENT OPERATIONS

- Life Insurance
- Home Service Insurance

September 30, 2023 March 31, 2024 | 10-Q 52 40

MANAGEMENT'S DISCUSSION & ANALYSIS

		Three Months Ended September 30,		Nine Months Ended September 30,					
		Three Months Ended Three Months Ended Three Months Ended March 31,						March 31,	
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	2024		2023
Income (loss) before federal income tax expense:	Income (loss) before federal income tax expense:								
Segments:	Segments:								
Segments:									
Segments:									
Life Insurance									
Life Insurance									
Life Insurance	Life Insurance	\$6,550	5,072	20,395	14,272				
Home Service Insurance	Home Service Insurance	(443)	950	1,514	5,030				
Total segments	Total segments	6,107	6,022	21,909	19,302				
Other Non-Insurance Enterprises	Other Non-Insurance Enterprises	(1,466)	(1,200)	(4,509)	(3,336)				

Policyholder liability remeasurement (gain) loss	Policyholder liability remeasurement (gain) loss	840	(445)	2,541	549
Policyholders' dividends	Policyholders' dividends	1,405	1,382	3,761	4,241
Total insurance benefits paid or provided	Total insurance benefits paid or provided	29,077	26,105	80,858	77,366
Commissions	Commissions	5,406	5,103	14,930	13,701
Other general expenses	Other general expenses	6,036	6,016	17,141	17,065
Capitalization of deferred policy acquisition costs	Capitalization of deferred policy acquisition costs	(5,141)	(4,592)	(13,958)	(12,205)
Amortization of deferred policy acquisition costs	Amortization of deferred policy acquisition costs	3,313	3,081	9,642	9,051
Amortization of cost of insurance acquired	Amortization of cost of insurance acquired	28	32	86	94
Total benefits and expenses	Total benefits and expenses	38,719	35,745	108,699	105,072
Income (loss) before federal income tax		\$ 6,550	5,072	20,395	14,272
Income before federal income tax					

In our Life Insurance segment, income before federal income tax of \$5.8 million in the three months ended March 31, 2024 decreased from \$6.4 million in the prior year period. Total revenue increased by \$3.2 million from higher premium revenue, investment related gains (losses) and higher net investment income compared to the prior

September 30, 2023 March 31, 2024 | 10-Q 53 41

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

The main drivers of the year-over-year increases in income before federal income tax in the 2023 periods are year period. These improvements were more than offset by higher net investment income claims and lower investment related losses. These increases were partially offset by lower renewal premiums, higher surrenders benefits paid and higher policyholder liability remeasurement losses due to the higher levels of surrenders. other general expenses supporting our domestic growth strategy.

Life Insurance segment premium breakout is detailed below.

	Three Months Ended September 30,	Nine Months Ended September 30,
Three Months Ended		
Three Months Ended		
Three Months Ended		
Three Months Ended		

March 31,					March 31,	
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)
Premiums:						
First year	First year	\$ 3,796	3,135	9,195	7,888	
Renewal	Renewal	27,352	28,561	76,933	80,573	
Total premiums	Total premiums	\$31,148	31,696	86,128	88,461	

Premiums. First year Our total premiums increased 21% and 17% for by 6% in the three and nine months ended September 30, 2023, respectively, March 31, 2024 as compared to the same periods period in 2022, 2023 due to the 77% increase in first year premiums. First year premiums rose significantly due to sales of our new products and expanded domestic distribution. Our total Renewal premiums for three and nine months ended September 30, 2023 decreased 2% and 3%, respectively, compared to the same periods in 2022 as renewal premiums declined. We derive most of our premium revenue in the Life Insurance segment from renewal premiums, which decreased 4% and 5%, respectively, slightly in the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same periods in 2022. prior year period. As described above, this decline is due to high surrenders and matured endowments over the last several years.

International Life Insurance Premiums. Life While our domestic life insurance business drove the significant increase in first year premiums, life insurance premiums are generated largely from our international policyholders living in over 75 different countries across the globe. The majority of our international premiums are derived from whole life and endowment products. The following table sets forth our premiums collected from the top five countries of our international life insurance business by location for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023.

		Three Months Ended		Nine Months Ended			
		September 30,		September 30,			
		Three Months Ended		Three Months Ended			
		Three Months Ended		Three Months Ended			
		Three Months Ended					
		March 31,				March 31,	
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	
Country:						2024	2023
International premiums:							
Colombia							
Colombia							
Colombia	Colombia	\$ 6,077	5,869	18,415	17,765		
Taiwan	Taiwan	3,814	3,862	12,706	12,540		
Venezuela	Venezuela	3,804	4,388	11,208	12,343		
Ecuador	Ecuador	3,479	3,286	9,882	9,380		
Argentina	Argentina	2,550	2,250	7,130	6,688		
Other Non-U.S.	Other Non-U.S.	9,866	10,141	28,241	28,711		
Total		\$29,590	29,796	87,582	87,427		
Total international premiums							
Domestic premiums							

Change in
premium
accruals
**Total
premiums**

Domestic Life Insurance Premiums. **Net Investment Income.** Our domestic in-force life insurance business consists primarily of closed blocks of business from various insurance companies we have acquired over the years. As discussed, we have recently re-launched our domestic life insurance business through CICA Life Insurance Company of America net investment income increased by expanding our licenses to new states, developing new final expense and living benefit products, entering into new white label and other distribution agreements and obtaining a B+ A.M. Best rating. Because the majority of this business still consists of closed blocks of business, premiums in our domestic Life Insurance segment were lower in 3% for the three and nine months ended September 30, 2023 March 31, 2024, compared to the same period in 2023 due to our higher average portfolio yield. The majority of our investment income is derived from fixed maturity securities; however, long-term investment income continues to increase as our limited partnership asset base grows.

Investment Related Gains (Losses), Net. We recorded investment related gains of \$1.1 million during the three months ended March 31, 2024, compared to investment related losses of \$0.4 million during the same prior year periods despite growth period, resulting primarily from the change in estimated fair market value of our newly relaunched business, limited partnership investments.

September 30, 2023 March 31, 2024 | 10-Q 54 42

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

Net Investment Income. Our net investment income increased by 7% and 9% for the three and nine months ended September 30, 2023, respectively, compared to the same periods in 2022 due to our higher average portfolio yield. The majority of investment income is derived from fixed maturity securities; however, long-term investment income continued to increase as our limited partnership asset base grew.

Investment Related Gains (Losses), Net. We recorded investment related losses of \$0.4 million and \$0.1 million during the three and nine months ended September 30, 2023, respectively, compared to investment related losses of \$4.4 million and \$8.6 million during the same prior year periods, respectively, resulting from the change in estimated fair market value for our limited partnership investments.

Claims and Surrenders. The following table sets forth our primary claims and surrender benefits paid within our Life Insurance segment for the three and nine months ended September 30, 2023 March 31, 2024 compared to the same periods period in 2022, 2023.

		Three Months Ended September 30,		Nine Months Ended September 30,			
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	
		Three Months Ended September 30,		Three Months Ended September 30,		March 31,	

Surrender benefits	Surrender benefits	16,317	11,817	41,927	34,230
Endowment benefits	Endowment benefits	1,930	2,128	6,111	6,406
Matured endowment benefits	Matured endowment benefits	10,912	8,335	28,447	20,323
A&H and other policy benefits	A&H and other policy benefits	2,282	1,092	4,224	2,930
Total claims and surrenders	Total claims and surrenders	\$32,419	24,742	83,826	67,768

Total claims and surrenders

Total claims and surrenders

During the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the majority of our claims and surrender benefits in our Life Insurance segment were related to payment of surrender benefits and matured endowment benefits. Many of our endowment policies are reaching their contractual maturity dates and thus matured endowment benefits are increasing. We expect this trend to continue over the next few years. Surrender benefits increased decreased slightly for the three and nine months ended September 30, 2023 compared to the same periods in 2022, partially due to surrenders related to international policies that are nearing maturity as well as policies that have passed their surrender charge period. Death claims benefits decreased for the three and nine months ended September 30, 2023, respectively, March 31, 2024 compared to the prior year periods. period. Death claim benefits increased for the three months ended March 31, 2024, compared to the prior year period as we saw a higher number of reported claims due to the increase in policies issued. Mortality experience is closely monitored by the Company as a key performance indicator and these amounts were within expected levels, fluctuates from quarter-to-quarter based on reported claims.

Increase (Decrease) in Future Policy Benefit Reserves. The change in future policy benefit reserves decreased for the three months ended March 31, 2024 and 2023 as a result of reserves released from surrenders and higher matured endowment and surrender benefits, which was partially offset by increases in insurance issued and normal increases in our in force block of business policy benefit reserves for the three and nine months ended September 30, 2023 compared to the same periods in 2022. reserves.

September 30, 2023 March 31, 2024 | 10-Q 55 43

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

HOME SERVICE INSURANCE

Detailed results of operations for the Home Service Insurance segment for the periods indicated are as follows:

	Three Months Ended September 30,	Nine Months Ended September 30,						
	Three Months Ended	Three Months Ended						
	Three Months Ended	Three Months Ended						
	Three Months Ended	Three Months Ended						
	Three Months Ended	Three Months Ended						
	March 31,	March 31,						
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	2024	2023

Revenues:	Revenues:	Revenues:			
Premiums	Premiums	\$10,878	12,179	33,873	37,002
Net investment income	Net investment income	3,459	3,527	10,379	10,054
Investment related gains (losses), net	Investment related gains (losses), net	(370)	(462)	(283)	(1,629)
Other income		—	—	1	1
Total revenues					
Total revenues					
Total revenues	Total revenues	13,967	15,244	43,970	45,428
Benefits and expenses:	Benefits and expenses:				
Insurance benefits paid or provided:	Insurance benefits paid or provided:				
Insurance benefits paid or provided:					
Claims and surrenders					
Claims and surrenders					
Claims and surrenders	Claims and surrenders	5,304	5,987	16,972	18,492
Increase (decrease) in future policy benefit reserves	Increase (decrease) in future policy benefit reserves	1,707	227	3,468	(311)
Policyholder liability remeasurement (gain) loss	Policyholder liability remeasurement (gain) loss	184	841	319	1,182
Policyholders' dividends	Policyholders' dividends	9	7	22	16
Total insurance benefits paid or provided	Total insurance benefits paid or provided	7,204	7,062	20,781	19,379
Commissions	Commissions	4,038	4,107	12,410	12,106
Other general expenses	Other general expenses	4,293	4,228	13,060	12,093
Capitalization of deferred policy acquisition costs	Capitalization of deferred policy acquisition costs	(1,991)	(1,780)	(6,076)	(5,132)
Amortization of deferred policy acquisition costs	Amortization of deferred policy acquisition costs	743	543	1,902	1,600
Amortization of cost of insurance acquired	Amortization of cost of insurance acquired	123	134	379	352
Total benefits and expenses	Total benefits and expenses	14,410	14,294	42,456	40,398
Income (loss) before federal income tax		\$ (443)	950	1,514	5,030
Income before federal income tax					

Premiums. Total premium revenue declined by **11%** and **8%** **10%** in the three and nine months ended **September 30, 2023** **March 31, 2024**, respectively, compared to the same periods in 2022 prior year period due primarily to the impact of ceasing our property insurance operations as of June 30, 2023. Our first year premiums increased 6% declined 16% in the nine three months ended **September 30, 2023** **March 31, 2024** compared to the same prior year period as we continue to make changes to our agents' compensation structures to improve the quality and the persistency of sales in 2022. this segment.

September 30, 2023 March 31, 2024 | 10-O 56 44

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

Claims and Surrenders. Payments of claims and surrender benefits, which are the largest portion of our expenses, are summarized as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,					
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	2024		2023
Claims and Surrenders:	Claims and Surrenders:								
Death claim benefits	Death claim benefits								
Death claim benefits	Death claim benefits								
Death claim benefits	Death claim benefits	\$4,006	4,719	12,885	15,100				
Surrender benefits	Surrender benefits	947	780	2,643	2,233				
Endowment benefits	Endowment benefits	2	3	6	11				
Matured endowment benefits	Matured endowment benefits	168	135	460	414				
Property claims	Property claims	129	326	837	631				
A&H and other policy benefits	A&H and other policy benefits	52	24	141	103				

Total claims and surrenders	Total claims and surrenders				
		\$5,304	5,987	16,972	18,492
Total claims and surrenders					
Total claims and surrenders					

The majority of claims and surrender benefits in our Home Service Insurance segment are death claim benefits. Death claim benefits decreased 15% increased 5% in the three and nine months ended September 30, 2023 March 31, 2024 compared to the same three and nine months in 2022 due primarily to a lower volume of reported claims, prior year period. Mortality experience is closely monitored by the Company as a key performance indicator and fluctuates from quarter-to-quarter based on reported claims.

Other General Expenses. General expenses increased decreased in the nine three months ended September 30, 2023 March 31, 2024 compared to the same periods period in 2022, 2023, primarily due to higher employee health benefit costs, ceasing our property insurance business as discussed above.

OTHER NON-INSURANCE ENTERPRISES

		Three Months Ended September 30,		Nine Months Ended September 30,					
		Three Months Ended		Three Months Ended		Three Months Ended		March 31,	
		March 31,							
(In thousands)	(In thousands)	2023	2022	2023	2022	(In thousands)	2024	2023	
Income (loss) before federal income tax		\$ (1,466)	(1,200)	(4,509)	(3,336)				
Loss before federal income tax									

This operating unit represents the administrative support functions for the insurance operations. Its revenues are primarily intercompany and have been eliminated in consolidation under U.S. GAAP, which typically results in a loss. Revenue in this operating unit consists primarily of net investment income and investment related gains or losses, while expenses consist of other general expenses related to corporate functions.

INVESTMENTS

Our investments are an integral part of our business success. Our cash and invested assets at September 30, 2023 March 31, 2024 were \$1.3 billion \$1.4 billion, of which 86% 87% was invested in fixed maturity securities, all of which are classified as available-for-sale. We closely monitor the duration of our fixed maturity investments, and investment purchases and sales are executed with the objective of having adequate funds available to satisfy our insurance obligations.

September 30, 2023 March 31, 2024 | 10-Q 57 45

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

The following table sets forth the carrying value of our investments by investment category and cash, cash equivalents and the percentage of each to total cash and invested assets.

Carrying Value	Carrying Value	September 30, 2023	December 31, 2022	Carrying Value	March 31, 2024	December 31, 2023		
(In thousands, except for %)	(In thousands, except for %)	Amount	%	Amount	%	Amount	%	%
Cash, Cash Equivalents and Invested Assets								
Cash, cash equivalents and invested assets:								
Fixed maturity securities:								
Fixed maturity securities:								
Fixed maturity securities:	Fixed maturity securities:							
U.S. Treasury and U.S. Government-sponsored enterprises	U.S. Treasury and U.S. Government-sponsored enterprises	\$ 9,357	0.7 %	\$ 13,278	1.0 %	\$ 9,570	0.7 %	0.7 %
Corporate States and political subdivisions (1)	Corporate States and political subdivisions (1)	710,741	53.3	715,645	52.5			
Mortgage-backed (2)	Mortgage-backed (2)	283,956	21.3	307,358	22.5			
Asset-backed	Asset-backed	92,686	6.9	99,995	7.3			
		54,613	4.1	43,242	3.2			
Foreign governments		—	—	101	—			
Total fixed maturity securities	Total fixed maturity securities	1,151,353	86.3	1,179,619	86.5			
Short-term investments		—	—	1,241	0.1			
Total fixed maturity securities								
Total fixed maturity securities								
Cash and cash equivalents								
Cash and cash equivalents								
Cash and cash equivalents	Cash and cash equivalents	16,785	1.3	22,973	1.7			
Other investments:	Other investments:							
Policy loans	Policy loans	75,750	5.7	78,773	5.8			
Equity securities	Equity securities	10,555	0.8	11,590	0.8			
Other long-term investments	Other long-term investments	79,798	5.9	69,558	5.1			
Other long-term investments								
Other long-term investments								

Total cash, cash equivalents and invested assets	Total cash, cash equivalents and invested assets	\$1,334,241	100.0 %	\$1,363,754	100.0 %	Total cash, cash equivalents and invested assets	\$1,423,101	100.0	100.0 %	\$1,429,344	100.0	100.0 %
--	--	-------------	---------	-------------	---------	--	-------------	-------	---------	-------------	-------	---------

(1) Includes \$117.6 million \$122.8 million and \$133.2 million \$124.2 million of securities guaranteed by third parties at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

(2) Includes \$91.6 million \$94.0 million and \$98.8 million \$96.1 million of U.S. Government-sponsored enterprises at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The carrying value of the Company's fixed maturity securities investment portfolio at September 30, 2023 March 31, 2024 was \$1.15 billion \$1.23 billion compared to \$1.18 billion \$1.24 billion at December 31, 2022 December 31, 2023. The distribution of the credit ratings of our portfolio of fixed maturity securities by carrying value as of September 30, 2023 March 31, 2024 did not materially change from December 31, 2022 December 31, 2023 – the weighted average was "A" at both dates.

Cash and cash equivalents decreased as of September 30, 2023 March 31, 2024 from December 31, 2022 December 31, 2023 and fluctuates from period-to-period primarily due to the timing of operating and investing activities.

Other long-term investments increased by \$10.2 \$2.4 million as of September 30, 2023 March 31, 2024 from December 31, 2022 December 31, 2023 due to additional funding and increases in the fair market value of our limited partnership investments.

Obligations of States and Political Subdivisions

The Company's fixed maturity securities investment portfolio at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 included \$284.0 million \$285.1 million and \$307.4 million \$287.2 million, respectively, of securities that are obligations of states and political subdivisions, including municipalities (collectively referred to as the municipal bond portfolio).

September 30, 2023 March 31, 2024 | 10-Q 58 46

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

The Company's municipal bond portfolio includes third-party guarantees. Detailed below is a presentation by the Nationally Recognized Statistical Rating Organization ("NRSRO") rating of these holdings by funding type as of September 30, 2023 March 31, 2024.

		General Obligation		Special Revenue		Other		Total		% Based on										
General Obligation										Amortized Cost	General Obligation									
(In thousands, except for %)	(In thousands, except for %)	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	% Based on Amortized Cost										
State and political subdivision fixed maturity securities including third-party guarantees										Cost										
State and political subdivision fixed maturity securities including third-party guarantees:																				
State and political subdivision fixed maturity securities including third-party guarantees:																				
State and political subdivision fixed maturity securities including third-party guarantees:																				
AAA																				
AAA																				
AAA	AAA	\$13,900	13,930	6,307	6,894	—	—	20,207	20,824	6.4 %	\$13,911	13,913	13,913	6,638	6,638	6.8				
AA	AA	43,135	43,935	108,386	131,470	10,224	11,082	161,745	186,487	57.3										
A	A	3,933	4,461	81,242	94,588	4,327	4,399	89,502	103,448	31.8										
BBB	BBB	604	654	7,575	9,192	1,328	1,450	9,507	11,296	3.5										
BB and other	BB and other	2,911	3,174	84	85	—	—	2,995	3,259	1.0										
Total	Total	\$64,483	66,154	203,594	242,229	15,879	16,931	283,956	325,314	100.0 %	Total	\$65,215	66,203	66,203	207,727	207,727				
State and political subdivision fixed maturity securities excluding third-party guarantees																				

State and political subdivision fixed maturity securities excluding third-party guarantees:																		
State and political subdivision fixed maturity securities excluding third-party guarantees:																		
State and political subdivision fixed maturity securities excluding third-party guarantees:																		
AA																		
AA																		
AA	AA	\$32,122	32,538	37,457	43,391	6,431	6,496	76,010	82,425	25.3	%	\$31,926		32,136		32,136		33,583
A	A	17,806	18,702	88,677	103,216	5,650	6,130	112,133	128,048	39.4								
BBB	BBB	1,382	1,415	20,563	24,254	1,469	1,855	23,414	27,524	8.5								
BB	BB																	
and	and																	
other	other	13,173	13,499	56,897	71,368	2,329	2,450	72,399	87,317	26.8								
Total	Total	\$64,483	66,154	203,594	242,229	15,879	16,931	283,956	325,314	100.0	%	Total	\$65,215	66,203	66,203	207,727	207,727	37,6

The table below shows the categories in which the Company held investments in special revenue bonds that were greater than 10% of fair value based upon the Company's total municipal bond portfolio at **September 30, 2023** **March 31, 2024**.

(In thousands, except for %)	(In thousands, except for %)	Fair Value	Amortized Cost	% of Total Fair Value	(In thousands, except for %)	Fair Value	Amortized Cost	% of Total Fair Value
Education	Education	\$47,346	55,750	16.7	Education	\$ 47,253	53,236	16.6
Utilities	Utilities	42,086	48,115	14.8				
Transportation	Transportation	35,198	44,503	12.4				

The Company's municipal bond portfolio is spread across many states, however, municipal bonds from Texas and California comprise the most significant concentration of the total municipal bond portfolio as of **September 30, 2023** **March 31, 2024**. The Company holds 22% and **14%** **15%** of its municipal bond portfolio in Texas and California issuers, respectively, as of **September 30, 2023** **March 31, 2024**. There were no other states or individual issuer holdings that represented or exceeded 10% of the total municipal bond portfolio as of **September 30, 2023** **March 31, 2024**.

September 30, 2023 **March 31, 2024** | 10-Q **59** **47**

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

The table below represents the Company's detailed exposure to municipal bonds in Texas at **September 30, 2023** **March 31, 2024**.

General Obligation					Special Revenue					Other		Total															
General Obligation										General Obligation										Special Revenue				Other		Total	
	(In thousands)	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	(In thousands)	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost									
Texas state and political subdivision fixed maturity securities including third-party guarantees										Texas state and political subdivision fixed maturity securities including third-party guarantees										Texas state and political subdivision fixed maturity securities including third-party guarantees							
Texas state and political subdivision fixed maturity securities including third-party guarantees:										Texas state and political subdivision fixed maturity securities including third-party guarantees:										Texas state and political subdivision fixed maturity securities including third-party guarantees:							

AAA	AAA	\$13,405	13,425	2,466	2,639	—	—	15,871	16,064
AA	AA	16,430	16,405	13,144	15,820	—	—	29,574	32,225
A	A	—	—	16,059	21,896	—	—	16,059	21,896
Total	Total	\$29,835	29,830	31,669	40,355	—	—	61,504	70,185

Texas state and political subdivision fixed maturity securities excluding third-party guarantees

Total									
Total									
Texas state and political subdivision fixed maturity securities excluding third-party guarantees:									Texas state and political subdivision fixed maturity securities excluding third-party guarantees:

AA	AA	\$25,016	24,980	4,827	5,625	—	—	29,843	30,605
A	A	4,819	4,850	15,310	18,093	—	—	20,129	22,943
BBB	BBB	—	—	3,037	3,417	—	—	3,037	3,417
BB and other	BB and other	—	—	8,495	13,220	—	—	8,495	13,220
Total	Total	\$29,835	29,830	31,669	40,355	—	—	61,504	70,185

The table below represents the Company's detailed exposure to municipal bonds in California at **September 30, 2023** **March 31, 2024**.

General Obligation	General Obligation Special Revenue Other Total							
	(In thousands)	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Amortized Value Cost
California state and political subdivision fixed maturity securities including third-party guarantees:								California state and political subdivision fixed maturity securities including third-party guarantees:

General Obligation	General Obligation Special Revenue Other Total							
	(In thousands)	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Amortized Value Cost

California state and political subdivision fixed maturity securities including third-party guarantees

AA	AA	\$1,880	2,049	27,278	35,293	2,323	2,732	31,481	40,074
A	A	1,179	1,650	6,625	7,666	—	—	7,804	9,316
BBB	BBB	—	—	570	570	—	—	570	570
Total	Total	\$3,059	3,699	34,473	43,529	2,323	2,732	39,855	49,960

California state and political subdivision fixed maturity securities excluding third-party guarantees

Total									
Total									
California state and political subdivision fixed maturity securities excluding third-party guarantees:									
California state and political subdivision fixed maturity securities excluding third-party guarantees:									
AA									
AA									
AA	AA	\$ 419	445	4,214	5,258	—	—	4,633	5,703
A	A	2,640	3,254	14,016	17,706	2,323	2,732	18,979	23,692
BBB	BBB	—	—	3,143	3,523	—	—	3,143	3,523
BB and other	BB								
	and other	—	—	13,100	17,042	—	—	13,100	17,042
Total	Total	\$3,059	3,699	34,473	43,529	2,323	2,732	39,855	49,960

IMPAIRMENT CONSIDERATIONS RELATED TO INVESTMENTS IN FIXED MATURITY AND EQUITY SECURITIES

The Company did not record any credit valuation allowances on fixed maturity securities in either of the three and nine months ended September 30, 2023 March 31, 2024 or 2022 2023.

Information on both unrealized and realized gains and losses by category is set forth in Part I, Item 1, Note 3. Investments of the notes to our consolidated financial statements herein.

September 30, 2023 March 31, 2024 | 10-Q 60 48

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

Below are our primary capital resources (based on carrying value of each) as of the periods indicated.

(In thousands)		September	December	(In thousands)	March 31, 2024	December 31, 2023
		30, 2023	31, 2022			
Fixed maturity securities	Fixed maturity securities	\$1,151,353	1,179,619			
Cash and cash equivalents	Cash and cash equivalents	16,785	22,973			

Liquidity refers to a company's ability to generate or obtain sufficient cash flows to meet the needs of its operations. In the nine months ended September 30, 2023, Our liquidity is primarily derived from our operations generated \$15.4 million of net cash. We manage our insurance operations as described herein in order to ensure that we have stable and reliable sources of cash flow to meet from operations, our obligations, cash and cash equivalents, and our portfolio of marketable securities. We currently anticipate meeting may also derive liquidity by accessing our short-term and long-term cash needs with cash generated by our insurance operations and from our invested assets. From time-to-time, we Credit Facility (described below) or may raise capital by selling shares in our SIP (as defined below) and we may also access our Credit Facility if needed (also or by other traditional means. Citizens has no debt as described below) of March 31, 2024.

Cash from Operating Activities. Cash provided by operating activities is an important liquidity metric because it reflects, during a given period, the amount of cash generated that is available to pay our operating expenses, invest in our business or make strategic acquisitions. In the three months ended March 31, 2024, our operations provided \$6.8 million in net cash.

Cash from Investing Activities. We have traditionally also had significant cash flows from both scheduled and unscheduled investment security maturities, redemptions, and prepayments. These cash flows, for the most part, are reinvested in new investments. In the three months ended March 31, 2024, we had net cash outflows from investing activities of \$9.5 million as we continue to invest excess funds in this high interest rate environment. The investing activities fluctuate from period to period due to timing of security activities such as calls and maturities and reinvestment of those funds. 87% of our total cash, cash equivalents and investments consist of marketable fixed maturity securities classified as available-for-sale that could be readily converted to cash for liquidity needs.

PARENT COMPANY LIQUIDITY AND CAPITAL RESOURCES

Citizens is a holding company and has minimal operations of its own. Our Citizens' assets consist of the capital stock of our its subsidiaries, cash and investments. Our Citizens' liquidity requirements are met primarily from two sources: cash generated from our its operating subsidiaries and our its invested assets. Our Citizens ability to obtain cash from our its insurance subsidiaries depends primarily upon the availability of statutorily permissible payments, including payments Citizens receives from service agreements with our its insurance subsidiaries and dividends from the subsidiaries. The ability to make payments to the holding company is limited by applicable laws of the U.S. states of domicile and by the Puerto Rico Office of Commissioner of Insurance, which all subject insurance operations to significant regulatory restrictions. These laws and regulations require, among other things, that our insurance subsidiaries maintain minimum solvency or premium to surplus ratio requirements, which limit the amount of dividends that can be paid to the holding company. The regulations also require approval of our service agreements with the applicable regulatory authority in order to prevent insurance subsidiaries from moving large amounts of cash to the unregulated less regulated holding company.

In addition to the above-mentioned sources of cash, we offer a Stock Investment Plan ("SIP"), whereby investors, policyholders, independent contractors and agents, employees and directors can directly purchase our stock. At our option, purchases of stock under the SIP can be made from newly issued or treasury stock, rather than in the open market, in which case, we can raise capital by selling our shares.

In 2021, we entered into a Credit Facility with Regions Bank. The initial term of the Credit Facility expired on May 5, 2024 and we renewed it on substantially the same terms for an additional three years. See Part I, Item 1, Note 7, Commitments and Contingencies in the notes to our consolidated financial statements, herein, for a description of the Credit Facility. The Credit Facility provides additional liquidity to the Company for short-term and longer-term needs. As of September 30, 2023, we have not borrowed any money under the Credit Facility and have no immediate plans to do so.

INSURANCE COMPANY SUBSIDIARY LIQUIDITY AND CAPITAL RESOURCES

The liquidity requirements of our insurance operations are primarily met by premium revenues, investment income and investment maturities or sales. Primary cash needs relate to payments of policyholder benefits, investment purchases and operating expenses. Historically, cash flow from our operations has been sufficient to meet our cash needs. We have not had to liquidate a material amount of investments to pay our expenses. We believe that we have adequate capital resources to support the liquidity requirements of our insurance operations if the cash flow from our insurance operations is insufficient to meet our cash needs. See Contractual Obligations and Off-balance Sheet Arrangements in our Form 10-K and below for a discussion of known and estimated cash needs. Cash flow

September 30, 2023 March 31, 2024 | 10-Q 61 49

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

the Credit Facility. The Credit Facility provides additional liquidity to the Company for short-term or longer-term needs. As of March 31, 2024, we have not borrowed any money under the Credit Facility.

INSURANCE COMPANY SUBSIDIARY LIQUIDITY AND CAPITAL RESOURCES

The liquidity requirements of our insurance operations are primarily met by premium revenues, investment income and proceeds from investment maturities, calls or sales. Primary cash needs are for payments of policyholder benefits, investment purchases, policy acquisition costs and other operating expenses. We manage our insurance operations in order to ensure that we have stable and reliable sources of cash flow to meet our obligations. As we have discussed, we recently re-launched our domestic business by developing new products and expanding our distribution channels, which has led to an increase in first year premiums (i.e., new sales) of 42% from 2023 to 2024. When selling new policies, we incur upfront policy acquisition costs, such as agent commission payments. While historically, cash flows from our operations have been sufficient to meet our cash needs, the insurance companies also have the available-for-sale fixed maturity investment portfolio available to create additional cash flows if required. Two of our insurance subsidiaries are members of the Federal Home Loan Bank (FHLB) of Dallas. FHLB membership provides the insurance subsidiaries with access to various low-cost collateralized borrowings and funding agreements. While not the only source of additional liquidity, the FHLB could provide the insurance subsidiaries with an additional source of liquidity, if needed.

We believe that we have adequate capital resources and ability to obtain additional capital if needed to support the short-term and longer-term liquidity requirements of our insurance operations. See Contractual Obligations and Off-balance Sheet Arrangements in our Form 10-K and below for a discussion of known and estimated cash needs. Cash

flow projections and cash flow tests under various market interest rate scenarios are performed annually to assist in evaluating liquidity needs and adequacy.

Cash from Operating Activities. Cash provided by or used in operating activities is an important liquidity metric because it reflects, during a given period, the amount of cash generated that is available to pay our operating expenses, invest in our business or make strategic acquisitions. In the nine months ended September 30, 2023, our operations provided \$15.4 million in net cash.

Cash from Investing Activities. We have traditionally also had significant cash flows from both scheduled and unscheduled investment security maturities, redemptions, and prepayments. These cash flows, for the most part, are reinvested in fixed income securities and to a lesser extent limited partnerships or other alternative investments. Net cash outflows from investing activities totaled \$18.5 million for the nine months ended September 30, 2023. The investing activities fluctuate from period to period due to timing of security activities such as calls and maturities and reinvestment of those funds. We purchased \$50.1 million in fixed maturity securities and we also used \$13.3 million to purchase other long-term investments. 86% of our total cash, cash equivalents and investments consist of marketable fixed maturity securities classified as available-for-sale that could be readily converted to cash for liquidity needs.

Trends, Demands and Restrictions on our Uses of Cash

Because claims and surrenders are our largest expense, a primary liquidity concern is the risk of either (i) an extraordinary level of early policyholder surrenders, or (ii) higher than expected mortality experience. Our death benefit payments have declined increased in the nine three months ended September 30, 2023 and we believe mortality March 31, 2024 which is expected as the amount of insurance issued has normalized to pre-pandemic levels. However, as previously discussed, surrender increased significantly over the past couple of years. Surrender benefits, which have been higher than usual the last several years, and have continued to increase slightly decreased in the first nine three months of 2023 despite our retention initiatives. 2024. In order to mitigate the risk of early policyholder surrenders, we include provisions in our insurance policies, such as surrender charges, that help limit and discourage early withdrawal, but as many of our policies have reached the age where surrender charges have expired or significantly decreased, we are experiencing higher have experienced high levels of surrenders. Additionally, we believe that surrenders are increasing have been high due to other reasons, including the loss of one of our biggest distributors in Venezuela in 2018, increasing interest rates, which may encourage policyholders to seek higher rates of returns in different investment products, post-pandemic beliefs that life insurance may not be as important as it was during the pandemic, and inflationary pressures, which may cause policyholders to want the cash values of their policies due to decreased purchasing power elsewhere. To the extent that early surrenders are higher than expected, our liquidity could be negatively impacted due to benefit payments as well as lower renewal premiums. We continue to monitor surrenders and early withdrawals as well as mortality experience. and focus on our retention initiatives.

Our endowment products have contractual maturity dates and provide the policyholder with alternatives once the policy matures - they can choose to take a lump sum payout or leave the money on deposit at interest with the Company. Approximately 18% of the endowments in force, totaling approximately 6% of our in force business as of September 30, 2023 March 31, 2024, will mature in the next five years. Policyholder election behavior is unknown, but if too many policyholders elect lump sum distributions, the Company could be exposed to liquidity risk in years of high maturities. Meeting these distributions could require the Company to sell its investments at inopportune times to pay policyholder withdrawals. Alternatively, if the policyholders were to leave the money on deposit with the Company at interest, our profitability could be impacted if the product guaranteed rate is higher than the market rate we are earning on our investments. We currently anticipate that our available operating cash flow and capital resources will be adequate to meet our needs for funds, but we are closely monitoring our policyholder behavior patterns.

March 31, 2024 | 10-Q 50

[Table of Contents](#)

CITIZENS, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

In our CICA Domestic business, we pay advance commissions on some of our insurance products, meaning we pay an agent their commission immediately upon sale of a policy, rather than "as earned", or when premiums are received by us. Because of this, another liquidity concern is the risk that rapid growth in first year sales of these products could create a significant increase in commission payments, which increases expenses and thus reduces our statutory capital until the commissions are recouped from premiums paid. CICA Domestic sales have increased significantly since the third quarter of 2023 and continue to grow rapidly. To mitigate this risk and strain on capital, we may seek options, such as reinsurance or loans at the holding company level (from the Credit Facility or otherwise) that would allow us to reduce the liquidity risk should CICA Domestic's required commission payments exceed current resources. If we are unable to purchase reinsurance protection in amounts that we consider sufficient or unable to borrow money to contribute capital to CICA Domestic, we could be exposed to cash flow strain.

As discussed above, we are subject to regulatory capital requirements that could affect the Company's ability to access capital from our insurance operations or cause the Company to have to put additional cash in our wholly-owned subsidiaries.

Our domestic companies are subject to minimum capital requirements set by the NAIC in the form of risk-based capital ("RBC"). RBC considers the type of business written by an insurance company, the quality of its assets, and

September 30, 2023 | 10-Q 62

various other aspects of an insurance company's business to develop a minimum level of capital called "Authorized Control Level Risk-Based Capital". This level of capital is then compared to an adjusted statutory capital that includes capital and surplus as reported under statutory accounting principles, plus certain investment reserves. Should the ratio of adjusted statutory capital to control level RBC fall below 200% for our domestic companies, a series of remedial actions by the affected company would be required. Additionally, we have a [parental guarantee Capital Maintenance Agreement](#) between Citizens and CICA Domestic, Citizens' wholly-owned subsidiary domiciled in Colorado, [that would require Citizens to contribute capital to CICA Domestic in order to maintain a RBC level above 350%](#). At [September 30, 2023](#) [March 31, 2024](#), our domestic insurance subsidiaries were above the required minimum RBC [levels](#). [levels and CICA Domestic was above 350%](#).

For CICA Domestic, commission advances are non-admitted assets, which increases required regulatory capital and reduces the excess capital available. As discussed above, management is investigating various options in order to reduce both regulatory capital and liquidity risk should the capital required to support this pace of growth exceed current resources. Citizens may have to contribute capital to CICA Domestic to maintain the required RBC ratio.

CICA [PR International](#) is a Puerto Rico domiciled company. The Insurance Code of Puerto Rico does not specifically set forth minimum capital and surplus standards, but rather requires that an insurer submit a business plan for approval to the OIC that includes proposed minimum capital and surplus. CICA [PR International](#) is required to maintain a minimum of \$750,000 in capital and maintain a premium to surplus ratio of 7 to 1. CICA [PR International](#) began issuing new business as of January 1, 2023 and received the transfer of all of CICA [International's Bermuda's](#) in force insurance business as of August 31, 2023. On that date, Citizens entered into a Keep Well Agreement with CICA [PR International](#) to replace the Keep Well Agreement that had been in place between Citizens and CICA [International \(Bermuda\)](#). [Bermuda](#). The Keep Well Agreement requires Citizens to contribute up to \$10 million in capital to CICA [PR International](#) as necessary to ensure that CICA [PR International](#) maintains at least either (i) 112% of its required ratio of premiums to capital and surplus, or (ii) 200% of the minimum capital and surplus requirement, whichever is higher. The initial term of the Keep Well Agreement is 12 months. Since CICA [PR's International's](#) capital exceeds both of the metrics, Citizens is not required to make a capital contribution.

Any capital that Citizens is required to contribute [to its insurance subsidiaries](#) could negatively impact the Company's capital resources and liquidity.

[March 31, 2024 | 10-Q 51](#)

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

As of [September 30, 2023](#) [March 31, 2024](#), we have no additional contractual obligations or off-balance sheet arrangements other than those described in [Part I, Item 1, Note 7, Commitments and Contingencies](#) in the notes to our consolidated financial statements herein and in Part II, Item 7, Contractual Obligations and Off-Balance Sheet Arrangements in our [Form 10-K](#). We do not utilize special purpose entities as investment vehicles, nor are there any such entities in which we have an investment that engage in speculative activities of any nature, and we do not use such investments to hedge our investment positions.

CRITICAL ACCOUNTING POLICIES

We believe that the accounting policies set forth in Part I, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - "Critical Accounting Policies" and Part IV, Item 15, Note 1. Summary of Significant Accounting Policies of our consolidated financial statements in our [Form 10-K](#) continue to describe the significant judgments and estimates used in the preparation of our consolidated financial [statements except as follows](#). [The following items have changed due to adoption of Accounting Standard Update \("ASU"\) No. 2018-12, Financial Services-Insurance \(Topic 944\): Targeted Improvements to the Accounting for Long-Duration Contracts.](#)

DEFERRED POLICY ACQUISITION COSTS

DAC are costs that are incremental and directly related to the successful acquisition of new or renewal insurance contracts. Such costs include the incremental direct costs of contract acquisition, such as sales commissions; the portion of employees' total compensation and payroll-related fringe benefits related directly to time spent performing acquisition activities, such as underwriting, issuing, and processing policies for contracts that have actually been acquired; and other costs related directly to acquisition activities that would not have been incurred if the contract had not been acquired.

Inherent in the capitalization and amortization of DAC are certain management judgements about what acquisition costs are deferred. Approximately 93% of our capitalized DAC are attributed to first year and renewal excess commissions. The remaining 7% are attributed to other costs that vary with and are directly related to the

[September 30, 2023 | 10-Q 63](#)

successful acquisition of new insurance business. Those costs generally include costs related to the production, underwriting and issuance of new business.

DAC is amortized on a constant level basis over the expected term of the related contracts to approximate straight-line amortization. For the Life Insurance segment, the constant level basis used is policy count in force. For the Home Service Insurance segment, the constant level basis used is face amount in force. The constant level bases used for amortization are projected using mortality and lapse assumptions that are based on the Company's experience, industry data, and other factors at the end of each reporting period and are consistent with those used for the liability for future policy benefit life reserves. Annually, the Company completes experience studies to evaluate mortality and lapse. If those assumptions are updated, the DAC amortization basis is recalculated and the impact of the assumption change will be reflected in the cohort level amortization in future periods.

COST OF INSURANCE ACQUIRED

The Company recognizes an intangible asset that arises in the application of U.S. GAAP purchase accounting as the difference between the reported value and the fair value of insurance contract liabilities, or comparable amounts determined in purchased insurance business combinations. This intangible asset is referred to as the Cost of Insurance Acquired ("COIA"), which is amortized on a basis consistent with DAC, such that it is amortized in proportion to policies in force for the Life Insurance segment and face amount in force for the Home Service Insurance segment to approximate straight-line amortization. Inherent in the amortization of COIA are certain management judgements about the ending asset balance and the annual amortization. The key assumptions are based upon interest, mortality and lapses at the time of purchase.

A recoverability test that considers, among other things, actual experience and projected future experience is performed at least annually. These annual recoverability tests are based initially on an estimate of the available premium (gross premium less the benefit and expense portion of premium) for the next 50 years using best estimate assumptions related to interest rates, mortality and lapses. Management believes that our COIA is recoverable for the three and nine months ended September 30, 2023. This belief is based upon the analysis performed on estimated future results of the block and our annual recoverability testing.

POLICY LIABILITIES

As premium revenue is recognized, a liability for future policy benefits is accrued. The liability for a future policy benefit is the present value of estimated future policy benefits to be paid to or on behalf of policyholders less the present value of estimated future net premiums to be collected from policyholders. The liability is estimated using current assumptions that include investment yields, discount rate, mortality and lapses and withdrawals. These current assumptions are based on judgements that consider the Company's historical experience, industry data, and other factors. Annually, the Company completes experience studies to evaluate mortality and lapses. The results of these studies are used to update current year best estimate assumptions used in establishing benefit liabilities and DAC.

The current discount rate assumption is a yield curve that equals the yield of an upper-medium grade fixed income instrument, based on an A-quality corporate bond. The current discount rate assumption is updated quarterly and used to remeasure the liability at the reporting date, with the resulting change reflected in other comprehensive income. For liability cash flows that are projected beyond the duration of market-observable A credit-rated fixed-income instruments, the Company uses the last market-observable yield level and uses linear interpolation to determine yield assumptions for durations that do not have market observable yields. The locked-in discount rate for policies issued prior to transition equals the rate set at contract issuance. For current year issues, the locked-in discount rate is the average of the current year quarterly discount rates and will change throughout the year as new discount rates are calculated, with the change reflected in net income.

September 30, 2023 | 10-Q 64

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we have elected to comply with certain scaled disclosure reporting obligations and therefore are not required to provide the information required by this Item.

Item 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain 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 information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within

the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures.

Our management, including our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of **September 30, 2023** **March 31, 2024**. Based on such evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of **September 30, 2023** **March 31, 2024** to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and such information is accumulated and reported to management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the three months ended **September 30, 2023** **March 31, 2024**, there were no changes in the Company's internal control over financial reporting (as defined in rules 13a-15(f) and 15d-15(f) under the Exchange Act) that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

September 30, 2023 **March 31, 2024** | 10-Q **65** **52**

[Table of Contents](#)

CITIZENS, INC.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Part I, Item 3. Legal Proceedings Trade Secret Lawsuit

In the first quarter of our **Form 10-K** includes **2024**, a discussion jury trial was held in the "trade secret lawsuit". The trade secret lawsuit was filed in 2018 by Citizens, CICA Life Ltd. (Bermuda) and CICA Life Insurance Company of **our America** (collectively, the "Citizens Companies," "we," "us" or "our") against certain former employees and independent consultants who we alleged unlawfully took Citizens' confidential information in order to unfairly compete with us. Our claims against these parties included various unfair competition, tortious interference, breach of contract and other related claims.

The jury found that (i) Defendant Carlos Nalsen Landa ("Landa"), a former independent consultant, misappropriated the Citizens' Companies policyholder information, (ii) Citizens' former chief underwriter, Michael P. Buchweitz ("Buchweitz") and Randall Riley ("Riley"), a former Citizens executive and son of Citizens' founder Harold E. Riley, failed to comply with their Citizens' confidentiality agreements, and (iii) both Buchweitz and Riley intentionally interfered with former Chief Actuary Jonathan Pollio's ("Pollio") Citizens' confidentiality agreement. For Buchweitz, the jury also found that he did not have a good faith belief that he was acting in the bona fide exercise of his own rights when he interfered with Pollio's Citizens' confidentiality agreement. Despite these findings, the jury did not believe that the above-mentioned actions damaged the Citizens Companies economically and thus did not assess any monetary damages against any of the above parties. Additionally, the jury found that Citizens should pay Alexis Delgado ("Delgado", a former independent consultant) and Landa approximately \$1.3 million for "money had and received", an equitable theory that claimed that the Citizens Companies would be unjustly enriched if they didn't pay past and future commissions to Delgado and Landa, which was accrued at December 31, 2023.

On April 30, 2024, Defendants Riley (through his estate), Buchweitz and Delgado filed a motion against the Citizens Companies seeking approximately \$3.9 million in legal proceedings. **There** fees. We do not believe that their claim has merit because they were found to have breached the contracts whose fee shifting provisions they seek to invoke and we intend to contest this motion, which is set for hearing on May 10, 2024, therefore no amounts have been **no material developments in** accrued for this claim. We also do not believe the **three months ended September 30, 2023** from the legal proceedings described in our **Form 10-K** except jury properly found that the trial in the Trade Secret Lawsuit (as defined Delgado or Landa were entitled to any prior or future commissions and described in Part I, Item 3. Legal Proceedings of our **Form 10-K**), which was delayed in October 2022 **due intend to the death of one of the defendants, has been rescheduled for February 2024.**contest this verdict.

Item 1A. RISK FACTORS

Part I, Item 1A. Risk Factors of our **Form 10-K** includes a discussion of our risk factors. There have been no material changes in the three months ended **September 30, 2023** **March 31, 2024** from the risk factors included in our **Form 10-K**.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

March 31, 2024 | 10-Q 53

[Table of Contents](#)

CITIZENS, INC.

Item 5. OTHER INFORMATION

During the three months ended September 30, 2023 March 31, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Citizens, Inc. securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement." Additionally, Citizens did not adopt or terminate any Rule 10b5-1 trading arrangement during the three months ended September 30, 2023 March 31, 2024.

September 30, 2023 | 10-Q 66

[Table of Contents](#)

CITIZENS, INC.

Item 6. EXHIBITS

Exhibit Number	The following exhibits are filed herewith:
3.1	Restated and Amended Articles of Incorporation dated March 4, 2004 (incorporated herein by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the Year Ended December 31, 2003, filed on March 15, 2004)
3.2	Amended and Restated Bylaws dated February 6, 2021 June 2, 2021 (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on February 9, 2021) June 7, 2021)
10.1†	Form of Executive Change in Leadership Employment Agreement, entered into on November 3 effective March 18, 2024, 2023, by and between the Company and each of Jon Stenberg (incorporated herein by reference to Exhibit 10.1 to the following Named Executive Officers: Jeffery P. Conklin, Sheryl Kinlaw, Robert M. Mauldin III and Harvey J.L. Waite†† Registrant's Current Report on Form 8-K, filed on March 18, 2024)
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act*
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act*
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act*
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act*
101*	Inline XBRL Document Set for the condensed consolidated financial statements and accompanying notes in Part I, Item 1, Financial Statements of this Quarterly Report on Form 10-Q*
104*	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set*

* Filed herewith.

† Indicates management contract or compensatory plan or arrangement.

September 30, 2023 March 31, 2024 | 10-Q 67 54

[Table of Contents](#)

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.

CITIZENS, INC.

By: /s/ Gerald W. Shields

Gerald W. Shields

Chief Executive Officer & President

By: /s/ Jeffery P. Conklin

Jeffery P. Conklin

Vice President, Chief Financial Officer, Chief Investment Officer & Treasurer

Date: **November 6, 2023** May 7, 2024

September 30, 2023 March 31, 2024 | 10-Q **68** 55

EXHIBIT 10.1

EXECUTIVE CHANGE IN LEADERSHIP AGREEMENT

This Executive Change in Leadership Agreement (this "**Agreement**") is entered into as of November 3, 2023 (the "**Effective Date**") by and between Citizens, Inc., a Colorado corporation (the "**Company**"), and [Executive] (the "**Executive**") (each, a "**Party**" and together, the "**Parties**").

WHEREAS, the Executive has been and remains employed by the Company in a position of trust and confidence that provides great value to the Company;

WHEREAS, the Company has announced that it is searching for a new Chief Executive Officer (a "New CEO");

WHEREAS, the Company recognizes the economic and social impact of an acquisition or other change of control or a change in leadership on its key employees; and

WHEREAS, the Company recognizes that the potential of such an acquisition or change of control or change in leadership can be a distraction to its key employees and can cause them to consider alternative employment opportunities;

WHEREAS, the Company desires to assure the continued attention by the Executive to such duties and responsibilities without the potential distractions caused by a change in control or change in leadership; and

NOW THEREFORE, the Parties agree as follows:

A. Definitions

As used in this Agreement, the following definitions shall apply:

1. "Change in Leadership" shall mean the replacement of the CEO, Gerald W. Shields, with the New CEO.

2. "Change of Control" shall mean 1) the dissolution or liquidation of the Company, (2) the merger, consolidation, or reorganization of the Company with one or more other entities in which the Company is not the surviving entity or immediately following which the persons or entities who were beneficial owners (as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of voting securities of the Company immediately prior thereto cease to beneficially own more than fifty percent (50%) of the voting securities of the surviving entity immediately thereafter; (3) a sale of all or substantially all of the assets of the Company to another person or entity; (4) any transaction (including without limitation a merger or reorganization in which the Company is the surviving entity) that results in any person or entity or "group" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (other than persons who are shareholders or affiliates immediately prior to the transaction) owning thirty percent (30%) or more of the combined voting power of all classes of shares of the Company; or (5) individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholder, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the

proxy statement of the Company in which such person is named as a nominee for trustee, without written objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or contests by or on behalf of a person other than the Board.

3. "Cause" shall mean:

- a. Executive's continued failure to satisfactorily perform the material responsibilities and duties as the Company's employee;
- b. Executive's gross negligence, willful misconduct, or severe neglect in the performance of the duties and services as the Company's employee;
- c. Executive's final conviction of a felony, or an admission or civil judgment that Executive engaged in fraud, embezzlement, or dishonesty;
- d. Executive's material breach of any applicable employment agreement with the Company;
- e. Executive's knowing and unauthorized disclosure of trade secrets or confidential information to any person outside the Company; or
- f. Executive's material violation of any rule, policy, or practice of the Company.

4. "Good Reason" shall mean:

- a. a material adverse change in Executive's status as an executive or other key employee of the Company as in effect immediately prior to the Change in Leadership or Change of Control, including, without limitation, any material reduction in Executive's position, authority, or aggregate duties or responsibilities; however, a change in Executive's role shall not be deemed a material adverse change unless Executive has materially diminished authority, duties or responsibilities in the aggregate from the role in which Executive served at the time of the Change in Leadership or Change in Control.
- b. a reduction in the Executive's then-base monthly compensation;
- c. Executive ceases participation in other management incentive programs in which Executive participated at the time of a Change in Leadership or Change of Control (it being understood that targets and payouts are established in the sole discretion of the Compensation Committee and the Board and changes to such amounts shall not qualify as Good Reason hereunder unless Executive is the only person whose benefits have been materially reduced); or
- d. the taking of any action by the Company that would diminish other than in a *de minimis* amount the aggregate value of the benefits provided to Executive under the Company's medical, health, dental, accident, disability, life insurance, or retirement plans in which Executive participated at the time of a Change in Leadership or Change of Control.

5. Termination Payment" shall mean:

- a. reimbursement of six (6) months of COBRA continuation payments under the Company's group health plan at cost of normal employee rate provided that Executive elects COBRA continuation coverage;
- b. six (6) months of Executive's then-base monthly compensation;
- c. payment of a bonus to Executive equal to Executive's target bonus for the year in which Executive is terminated, multiplied by a fraction, the numerator of which is the number of days in the year Executive has been employed by the Company and the denominator of which is 365, *plus*, if executive is terminated before a bonus is paid for a prior fiscal year (e.g., terminated in January of a calendar year), Executive shall receive 100% of Executive's target bonus for such other prior year if such bonus has not already been paid to Executive as of the date of termination; and
- d. the immediate vesting of any outstanding stock grants from the Company to the Executive.

B. Effect of a Change in Leadership or Change of Control

If there is a Change in Leadership or a Change of Control within one (1) year of the Effective Date of this Agreement, and the Executive is terminated without Cause within one (1) year of the Change in Leadership or Change of Control, Executive shall be entitled to a Termination Payment. The Termination Payment shall be made in a lump sum within 30 days of termination of employment provided Executive signs a release of claims in a form acceptable to the Company on the last day of Executive's employment with the Company or otherwise within the time frame required by law.

C. Golden Parachute Excise Taxes

In the event that the severance and other benefits provided for in this Agreement or otherwise payable or provided to Executive constitute "parachute payments" within the meaning of Section 280G of the Code (the "Excise Tax"), then the benefits provided to Executive hereunder shall be delivered as to such lesser extent which would result in no portion of such severance and other benefits being subject to the Excise Tax.

D. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to its principles of conflicts of law.

E. At-Will Employment

Nothing in this Agreement shall be construed to create a contract of employment for a fixed period of time or to otherwise alter the at-will nature of the relationship between the Parties, nor will it be construed to replace, limit or reduce any legal duty Executive would otherwise owe to the Company absent this Agreement.

[SIGNATURES TO FOLLOW]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

EXECUTIVE:

[Name]

CITIZENS, INC.

By:

Gerald W. Shields

Chief Executive Officer

EXHIBIT 31.1

Certification of Chief Executive Officer Under Section 302 of the Sarbanes-Oxley Act of 2002

I, Gerald W. Shields, Chief Executive Officer and President of Citizens, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Citizens, Inc. ("registrant");
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Gerald W. Shields

Gerald W. Shields

Chief Executive Officer & President

Date: November 6, 2023 May 7, 2024

EXHIBIT 31.2

Certification of Chief Financial Officer Under Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffery P. Conklin, Vice President, Chief Financial Officer, Chief Investment Officer and Treasurer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Citizens, Inc. ("registrant");
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Jeffery P. Conklin

Jeffery P. Conklin

Vice President, Chief Financial Officer,

Chief Investment Officer and Treasurer

Date: **November 6, 2023** May 7, 2024

EXHIBIT 32.1

Certification of Chief Executive Officer of Citizens, Inc. Pursuant to 18 U.S.C. §1350

I, Gerald W. Shields, certify that:

In connection with the Quarterly Report on Form 10-Q of Citizens, Inc. (the "Company") for the period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gerald W. Shields, Chief Executive Officer **and President** of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

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

By: /s/ Gerald W. Shields

Name: Gerald W. Shields

Title: Chief Executive Officer **and President**

Date: **November 6, 2023** **May 7, 2024**

EXHIBIT 32.2

Certification of Chief Financial Officer of Citizens, Inc. Pursuant to 18 U.S.C. §1350

I, Jeffery P. Conklin certify that:

In connection with the Quarterly Report on Form 10-Q of Citizens, Inc. (the "Company") for the period ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffery P. Conklin, Vice President, Chief Financial Officer, Chief Investment Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

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

By: /s/ Jeffery P. Conklin

Name: Jeffery P. Conklin

Title: Vice President, Chief Financial Officer,
Chief Investment Officer and Treasurer

Date: **November 6, 2023** **May 7, 2024**

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.