CICA Life Ltd.

Combined Financial Statements and Independent Auditors' Report

December 31, 2018

CICA Life Ltd.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CICA Life Ltd.
Pembroke, Bermuda

We have audited the accompanying combined financial statements of CICA Life Ltd. (the "Company") (a wholly-owned subsidiary of Citizens, Inc.), which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of operations and comprehensive income, stockholder's equity, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of CICA Life Ltd. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 2 to the combined financial statements, the accompanying combined financial statements include the effects of a novation transaction executed with a related party effective July 1, 2018, which has been accounted for as a business combination between entities under common control. The combined financial statements report the results of operations for the year ended December 31, 2018 as though the novation transaction had occurred at the beginning of the year. The operating results for the period in 2018 prior to executing the novation transaction have been carved-out from the accounting records of Citizens, Inc. and in instances when specific identification was not practicable, allocation methods were utilized to estimate the stand-alone operations of the Company. The accompanying combined financial statements were prepared from the separate records maintained by CICA Life Ltd. and may not necessarily be indicative of the financial condition, or results of operations and cash flows that would have existed had the Company been operated as a stand-alone entity during the entire period presented. Our opinion is not modified with respect to this matter.

Deloitte & Touche LLP

May 31, 2019

CICA Life Ltd.
Combined Statement of Financial Position
December 31, 2018

(In USD thousands)		**2018**
Assets		
Investments		
Fixed maturities available-for-sale, at fair value (cost: $782,115 in 2018)	$	780,047
Policy loans		69,983
Total investments		850,030
Cash and cash equivalents		18,402
Accrued investment income		11,401
Reinsurance recoverable		2,589
Deferred policy acquisition costs		114,713
Due premiums, net (less $1,695 of allowance for doubtful accounts in 2018)		12,427
Other assets		3,198
Total assets	$	1,012,760
Liabilities and Equity		
Liabilities:		
Policy liabilities:		
Future policy benefit reserves:		
Life insurance	$	869,129
Annuities		25,847
Dividend accumulations		18,043
Premiums paid in advance		45,145
Policy claims payable		2,076
Other policyholders' funds		3,682
Total policy liabilities		963,922
Commissions payable		1,114
Other liabilities		13,441
Total liabilities		978,477
Commitments and contingencies		
Stockholder's Equity		
Common shares		250
Additional paid-in capital		30,497
Retained earnings		5,604
Accumulated other comprehensive loss		(2,068)
Total stockholder's equity		34,283
Total liabilities and stockholder's equity	$	1,012,760

See accompanying notes to the combined financial statements

CICA Life Ltd.
Combined Statement of Operations and Comprehensive Income
Year ended December 31, 2018

(In USD thousands)	**2018**
Revenues	
Life insurance premiums - ordinary life	$ 135,544
Net investment income	34,620
Realized investment losses, net	(1,457)
Other income	1,619
Total revenues	170,326
Benefits and expenses	
Insurance benefits paid or provided	
Claims and surrenders	47,727
Increase in future policy benefit reserves	44,077
Policyholders' dividends	18,985
Total insurance benefits paid or provided	110,789
Commissions	18,416
Other general expenses	19,066
Capitalization of deferred policy acquisition costs	(17,065)
Amortization of deferred policy acquisition costs	30,056
Total benefits and expenses	161,262
Net income	9,064
Other comprehensive loss:	
Unrealized losses on available-for-sale debt securities:	
Unrealized holding losses arising during the year	(611)
Reclassification adjustment for gains included in net income	(1,457)
Unrealized losses on available-for-sale debt securities, net	(2,068)
Other comprehensive loss	(2,068)
Total comprehensive income	$ 6,996

See accompanying notes to the combined financial statements.

CICA Life Ltd.
Combined Statement of Stockholder's Equity
Year ended December 31, 2018

(In USD thousands)	Common Shares	Net Parent Investment	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2018	$ 250	$ 32,734	$ -	$ -	$ 18,435	$ 51,419
Net change in parent investment	-	(5,697)	-	-	(21,670)	(27,367)
Net income	-	3,460	-	5,604	-	9,064
Execution of novation transaction	-	(30,497)	30,497	-	-	-
Unrealized investment losses, net	-	-	-	-	(1,384)	(1,384)
Unrealized gain from held-to-maturity securities transferred to available-for-sale, net	-	-	-	-	2,551	2,551
Balance, December 31, 2018	$ 250	$ -	$ 30,497	$ 5,604	$ (2,068)	$ 34,283

See accompanying notes to the combined financial statements.

CICA Life Ltd.
Combined Statement of Cash Flows
Year ended December 31, 2018

(In USD thousands)		**2018**
Cash flows from operating activities:		
Net income	$	9,064
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized losses on sale of investments and other assets		1,457
Net deferred policy acquisition costs		12,991
Depreciation		2
Amortization of premiums and discounts on investments		10,520
Change in:		
Accrued investment income		279
Due premiums		(428)
Other assets		(2,837)
Future policy benefit reserves		53,672
Other policyholders' liabilities		(5,160)
Commissions payable and other liabilities		6,940
Net cash provided by operating activities		86,500
Cash flows from investing activities:		
Sale of fixed maturities, available-for-sale		29,214
Maturities and calls of fixed maturities, available-for-sale		39,842
Purchase of fixed maturities, available-for-sale		(124,641)
Increase in policy loans, net		(6,786)
Purchase of property and equipment		(6)
Net cash used in investing activities		(62,377)
Cash flows from financing activities		
Change in net parent investment		(5,697)
Annuity deposits		1,986
Annuity withdrawals		(2,010)
Net cash used in financing activities		(5,721)
Net increase in cash and cash equivalents		18,402
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	18,402

See accompanying notes to the combined financial statements.

1. Organization and Corporate Structure

CICA Life Ltd. (the "Company" or "CICA Ltd.") was incorporated as a Bermuda exempted company with limited liability on May 22, 2017 and registered as a Class E insurer under The Insurance Act 1978 of Bermuda, effective February 27, 2018. The Company is a wholly-owned subsidiary of Citizens, Inc. ("Citizens"), a Colorado corporation.

On July 1, 2018, Citizens effected a novation ("novation transaction") of all the international policies issued by CICA Life Insurance Company of America ("CICA"), a Colorado domiciled entity and wholly-owned subsidiary of Citizens, to CICA Ltd. The Company began operations in Bermuda on July 1, 2018.

The Company sells ordinary whole-life and endowment insurance products primarily to residents of Latin America and the Pacific Rim through independent marketing firms and consultants with premium income derived primarily from life insurance products.

2. Summary of Significant Accounting Policies

(a) *Basis of preparation*

The combined financial statements (the "financial statements") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The novation transaction, see Note 1, qualifies as a business combination between entities under common control. Accounting for such transactions is addressed within Financial Accounting Standards Board Accounting Standards Codification ("ASC") 805-50, Business Combinations – Related Issues, under the "Transactions Between Entities Under Common Control" subsections. The net assets transferred to CICA Ltd. in connection with the novation transaction have been initially recognized and recorded at the historical cost of CICA at July 1, 2018. Accordingly, the novation transaction resulted in receipt of $20.3 million of cash, $957.35 million of other assets and $950.14 million of liabilities that were recorded at historical cost. These financial statements report the results of operations for the year ended December 31, 2018 as though the novation transaction had occurred at the beginning of the year. As a result, the operations comprise those of the Company from the novation date of July 1, 2018 and the carve-out financial statements of the international life division ("International business") of CICA Life Insurance Company of America, as if it had operated as a stand-alone entity prior to this date, and thus are labeled as combined. Similarly, the Company has presented the statement of stockholder's equity, and other financial information, as of January 1, 2018 as though the novation transaction had occurred at that date.

Prior to executing the novation transaction, separate financial statements were not prepared for the net assets transferred in connection with the novation transaction. The results for 2018 prior to the novation date have been derived from the accounting records of CICA on a carve-out basis. Revenues and benefits and expenses clearly attributable to the insurance policies subject to the novation transaction, and related operations, were determined based on specific identification basis. However, in certain instances a reasonable method of allocation was utilized when specific identification was not practicable. Differences between income statement and balance sheet allocations have been reflected in Stockholder's equity as adjustments to Citizen's net investment in CICA Ltd.

All amounts are expressed in U.S. dollars.

(b) *Use of estimates*

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates. In particular, the operating results presented for 2018 up to the novation date have been carved-out from CICA's historical accounting records and reasonable methods of allocation have been used to estimate the stand-alone operations when specific identification is not practicable. As such, the historical financial results in the combined financial statements presented may not be indicative of the results that would have been achieved by the Company had it operated as a separate, stand-alone entity during the period presented. Management believes that the combined financial statements include all adjustments necessary for a fair presentation of the business.

2. Summary of Significant Accounting Policies (Continued)

(c) Allocations

Statement of Operations and Comprehensive Income:

Amounts were allocated from historical accounting records of CICA for income and expenses attributable to the operations of the International business on a proportional basis, where specific identification was not practical, see below:

Revenues:

- Net investment income includes bond income, which was allocated based on the proportion of fixed maturity securities required to support the insurance liabilities of the novated policies and the average yield of the fixed maturity portfolio.

Benefits and Expenses:

- Claims and surrenders includes a credit for reinsurance ceded, which has been allocated based on the proportional level of direct claims incurred during the year as that supports the level of reinsurance ceded activity for the year, and interest on policy funds, which were allocated based on the proportion of premiums received in advance as the interest for the year is correlated to the level of advance premiums.
- Commissions expenses were allocated based on the proportion of premiums earned during the year.
- Other general expenses, with the exception of the amounts that were specifically identifiable, were allocated based upon the proportional level of reserve liability.

Statement of Stockholder's Equity:

The opening unrealized gains were allocated based on the proportion of historical cost of fixed maturities transferred to CICA Ltd. as part of the novation transaction.

Statement of Cash Flows:

In developing the statement of cash flows to be presented in the combined financial statements, management first developed the carve-out statement of financial position as at January 1, 2018, since most components of the cash flow statement are derived from changes in the statement of financial position accounts. In certain instances, a reasonable method of allocation was utilized to determine the opening balances when specific identification was not practicable. The International business did not maintain separate bank accounts; accordingly, no cash and bank balances were allocated to the International business at January 1, 2018.

(d) Investments

Investment securities are classified as held-to-maturity, available-for-sale or trading. Management determines the appropriate classification at the time of purchase. The classification of securities is significant since it directly impacts the accounting for unrealized gains and losses on securities. All fixed maturity securities are classified as available-for-sale, which are carried at fair value, with the unrealized holding gains and losses, reported in other comprehensive income and do not affect earnings until realized.

Unrealized gains (losses) of fixed maturities held as available-for-sale are shown as a separate component of Stockholder's equity and is a separate component of comprehensive income.

The Company evaluates all securities on a quarterly basis, and more frequently when economic conditions warrant additional evaluations, for determining if other-than-temporary impairment ("OTTI") exists pursuant to the accounting guidelines. In evaluating the possible impairment of securities, consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial conditions and near-term prospects of the issuer, and the ability and intent of the Company to retain its investment in the issuer for a period sufficient to allow for any anticipated recovery in fair value. In analyzing an issuer's financial condition, the Company may consider whether the securities are issued by the United States federal government or its agencies, by government-sponsored agencies, or whether downgrades by bond rating agencies have occurred, and reviews of the issuer's financial condition.

2. Summary of Significant Accounting Policies (Continued)

(d) *Investments (Continued)*

If management determines that an investment experienced an OTTI, management must then determine the amount of OTTI to be recognized in earnings. If management does not intend to sell the security and it is more likely than not that the Company will not be required to sell the security before recovery of its amortized cost basis less any current period loss, the OTTI will be separated into the amount representing the credit loss and the amount related to all other factors. The amount of OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of OTTI related to other factors will be recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the OTTI recognized in earnings will become the new amortized cost basis of the investment. If management intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current period credit loss, the OTTI will be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. Any recoveries related to the value of these securities are recorded as an unrealized gain (as other comprehensive income (loss) in stockholders' equity) and not recognized in income until the security is ultimately sold.

The Company from time to time may dispose of an impaired security in response to asset/liability management decisions, future market movements, business plan changes, or if the net proceeds can be reinvested at a rate of return that is expected to recover the loss within a reasonable period.

Policy loans are reported at unpaid principal balances.

Premiums and discounts are amortized over the life of the related security as an adjustment to yield using the effective interest method. Dividend and interest income is recognized when earned. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

(e) *Cash and cash equivalents*

Cash and cash equivalents include deposits and highly liquid investments (maturity of less than ninety days from the date of acquisition) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(f) *Reinsurance recoverable*

Reinsurance recoverable includes expected reimbursements for policyholder claim amounts in excess of the Company's retention. Reinsurance recoverable is reduced for estimated uncollectible amounts, if any.

Reinsurance premiums, benefits and expenses are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. The cost of reinsurance related to long duration contracts is accounted for over the life of the underlying reinsured policies using assumptions consistent with those used to account for the underlying policies.

(g) *Property and equipment*

Property and equipment are carried at cost less accumulated depreciation. Depreciation of property and equipment is computed using the straight-line method over the useful life of the asset. Property and equipment includes computer equipment, which is being depreciated over 2 years.

2. Summary of Significant Accounting Policies (Continued)

(h) Deferred policy acquisition costs

Acquisition costs, consisting of commissions and policy issuance, underwriting and agent convention expenses that are directly related to and vary with the successful production of new and renewal business, have been deferred. These deferred amounts, referred to as deferred policy acquisition costs ("DAC"), are recorded as an asset on the combined statement of financial position and amortized to operations in a systematic manner, based on related contract revenues or gross profits as appropriate. Traditional life insurance acquisition costs are being amortized over the premium-paying period of the related policies using assumptions consistent with those used in computing future policy benefit liabilities. If an internal replacement of insurance or investment contract modification substantially changes a contract as defined in current accounting guidance, then the DAC is written off immediately through income and any new deferrable costs associated with the new replacement are deferred. If a contract modification does not substantially change the contract, the DAC amortization on the original contract will continue and any acquisition costs associated with the related modification are immediately expensed.

We utilize the factor method to determine the amount of costs to be capitalized and the ending asset balance. The factor method is based on the ratio of premium revenue recognized for the policies in force at the end of each reporting period compared to the premium revenue recognized for policies in force at the beginning of the reporting period. The factor method ensures that policies lapsed or surrendered during the reporting period are no longer included in the deferred policy acquisition costs calculation. The factor method limits the amount of deferred costs to its estimated realizable value, provided actual experience is comparable to that contemplated in the factors.

Inherent in the capitalization and amortization of deferred policy acquisition costs are certain management judgments about what acquisition costs are deferred, the ending asset balance and the annual amortization. Approximately 95% of our capitalized deferred acquisition costs are attributed to first year and renewal excess commissions. The remaining 5% are attributed to costs that vary with and are directly related to the successful acquisition of new insurance business. Those costs generally include costs related to the production, underwriting and issuance of new business.

DAC is subject to recoverability testing at the time of policy issuance and loss recognition testing on an annual basis, or when an event occurs that might require loss recognition testing. If loss recognition or impairment is necessary, DAC would be written off to the extent that anticipated future premiums and investment income is insufficient to cover expected future policy benefits and expenses. Loss recognition testing that considers, among other things, actual experience and projected future experience calculates the available premium (gross premium less the benefit and expense portion of premium) for the next 50 years. The available premium per policy and the deferred policy acquisition costs per policy are then calculated. The deferred policy acquisition costs are then evaluated for recoverability using best estimate assumptions. Management believes that our deferred policy acquisition costs and related amortization for the year ended December 31, 2018 limits the amount of deferred costs to its estimated realizable value. This belief is based upon the analysis performed on capitalized expenses that vary with and are directly related to the acquisition of new and renewal insurance business, utilization of the factor method and recoverability testing at the time of policy issuance and the annual loss recognition testing.

The components of deferred acquisition costs from year to year are summarized as follows:

(In USD thousands)		**December 31, 2018**
Balance at beginning	$	127,704
Capitalized		17,065
Amortized		(30,056)
Balance at end	$	114,713

As of July 1, 2018, a new actuarial valuation software solution was implemented that provides enhanced modeling capabilities for the ordinary whole life and endowment policies of CICA and CICA Ltd., which are included in the international business segment. The impact of this system conversion resulted in changes in estimates due to refinements based upon the accounting analysis of the circumstances.

2. Summary of Significant Accounting Policies (Continued)

(h) *Deferred policy acquisition costs (Continued)*
The total impact of this system conversion reflected in the accompanying combined financial statements in 2018 is summarized in the table below.

(In USD thousands)		**December 31, 2018**
Combined Statement of Financial Position		
Deferred policy acquisition costs	$	(4,073)
Future policy benefit reserves:		
Life insurance		10,903
Combined Statement of Operations and Comprehensive Income		
Decrease in future policy benefit reserves		(10,903)
Amortization of deferred policy acquisition costs		4,073
Net increase in net income	$	6,830

(i) *Future Policy Benefits and Expenses*
Future policy benefit reserves for traditional life insurance are computed using a net level premium method, with assumptions as to investment yields, dividends on participating business, mortality and withdrawals based upon our experience, modified as necessary to reflect anticipated trends and to include provisions for possible unfavorable deviations.

The development of liabilities for future policy benefits requires management to make estimates and assumptions regarding mortality, morbidity, lapse, expense, and investment experience. These estimates are based primarily on historical experience and future expectations of mortality, morbidity, expense, persistency, and investment assumptions. Actual results could differ materially from estimates. We monitor actual experience and revise assumptions as necessary.

(j) *Participating Policies*
At December 31, 2018, participating business approximated 92% of direct life insurance in force, respectively.

Future policy benefits on participating policies are estimated based on net level premium reserves for death and endowment policy benefits with interest rates ranging from 3.20% to 9.00%, and the cash surrender values described in such contracts. The scaling rate used for the 2018 portfolio ranged between 3.59% to 4.86%. Earnings and dividends on participating policies are allocated based on policies in force.

Policyholder dividends are determined based on the discretion of the Board of Directors of the Company. Policyholder dividends are accrued over the premium paying periods of the insurance contract.

(k) *Premium Revenue and Related Expenses*
Premiums on life policies are recognized as earned when due. Due premiums on the combined statement of financial position are net of allowances. Premiums paid in advance on the statements of financial position are held on deposit and accrue interest at rates ranging from 2.50% to 5.00% until such time as the premiums become due.

Benefits and expenses are associated with earned premiums so as to result in the recognition of profits over the estimated lives of the contracts. This matching is accomplished by means of a provision for future policy benefits and the capitalization and amortization of deferred policy acquisition costs.

2. Summary of Significant Accounting Policies (Continued)

(l) Income taxes

At present, no taxes are levied in Bermuda on the Company's receipts, dividends, capital gains, gifts or net profit. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until March 31, 2035.

CICA Ltd. is considered a controlled foreign corporation for United States federal tax purposes. As a result, the income of the Company is currently taxable to Citizens under the Subpart F of the Internal Revenue Code. The income tax amount, $Nil, in these financial statements have been calculated based on a separate return methodology and presented as if each company was a separate taxpayer in its respective jurisdiction.

(m) Contingencies

An estimated loss from a contingency is accrued and charged to results of operations only if both of the following conditions are met:

1. Information available prior to the issuance of the financial statements indicates that it is probable (virtual certainty is not required) that an asset has been impaired, or a liability incurred as of the date of the financial statements; and
2. The amount of the loss can be reasonably estimated.

Reasonable estimation of a possible loss does not require estimating a single amount of the loss. It requires that a loss be accrued if it can be estimated within a range. If an amount within the range is a better estimate than any other amount within the range, that amount is accrued. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is accrued.

A gain contingency is an uncertain situation that will be resolved in the future, possibly resulting in a gain. We do not allow the recognition of a gain contingency prior to settlement of the underlying event. If we were to have a material gain contingency, we would disclose it in the notes to the financial statements.

(n) Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet adopted:

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU requires organizations that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The accounting by organizations that own the assets leased by the lessee, also known as lessor accounting, will remain largely unchanged from current U.S. GAAP. However, the ASU contains some targeted improvements that are intended to align, where necessary, lessor accounting with the lessee accounting model and with the updated revenue recognition guidance issued in 2014. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. CICA Ltd. adopted this standard on January 1, 2019. This guidance will not have a material impact on our financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326), with the main objective to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The ASU requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. Credit losses on available-for-sale debt securities should be measured in a manner similar to current U.S. GAAP; however, the credit losses are recorded through an allowance for credit losses rather than as a write-down. This approach is an improvement to current U.S. GAAP because an entity will be able to

2. Summary of Significant Accounting Policies (Continued)

(n) *Accounting Pronouncements (Continued)*
Recently Issued Accounting Pronouncements Not Yet Adopted (Continued):

record reversals of credit losses (in situations in which the estimate of credit losses declines) in current period net income, which in turn should align the income statement recognition of credit losses with the reporting period in which changes occur. Current U.S. GAAP prohibits reflecting those improvements in current-period earnings. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020. Entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2018. The Company is assessing the impact of this new standard and it could have a material impact on the financial statements.

In March 2017, the FASB issued ASU 2017-08, *Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20).* The amendments in this ASU shorten the amortization period for certain callable debt securities held at a premium. Specifically, the amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The Company has a large portfolio of callable debt securities purchased at a premium. As such, the Company amortizes the premium to the earliest call date to reduce volatility in earnings by eliminating reporting large realized losses when debt securities are called. ASU 2017-08 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. ASU 2017-08 is not expected to have a material impact on the Company's financial statements.

In August 2018, the FASB issued ASU 2018-12, Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts. This ASU amends four key areas of the accounting and impacts disclosures for long-duration insurance and investment contracts:

Requires updated assumptions for liability measurement. Assumptions used to measure the liability for traditional insurance contracts, which are typically determined at contract inception, will now be reviewed at least annually, and, if there is a change, updated, with the effect recorded in net income;

Standardizes the liability discount rate. The liability discount rate will be a market-observable discount rate (upper-medium grade fixed-income instrument yield), with the effect of rate changes recorded in other comprehensive income;

Provides greater consistency in measurement of market risk benefits. The two previous measurement models have been reduced to one measurement model (fair value), resulting in greater uniformity across similar market-based benefits and better alignment with the fair value measurement of derivatives used to hedge capital market risk;

Simplifies amortization of deferred acquisition costs. Previous earnings-based amortization methods have been replaced with a more level amortization basis; and

Requires enhanced disclosures. The new disclosures include rollforwards and information about significant assumptions and the effects of changes in those assumptions.

ASU 2018-12 is effective for fiscal years beginning after December 15, 2021. Early application of the amendments is permitted. The Company is assessing the impact of this new standard and will begin planning for adoption in 2019. This guidance is expected to have a material impact on our financial statements.

2. Summary of Significant Accounting Policies (Continued)

(n) Accounting Pronouncements (Continued)
Recently Issued Accounting Pronouncements Not Yet Adopted (Continued):

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019; early adoption is permitted. Entities are also allowed to elect early adoption the eliminated or modified disclosure requirements and delay adoption of the new disclosure requirements until their effective date. This ASU is not expected to have a material impact on the Company's financial statements.

In September 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This ASU requires an entity in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. Capitalized implementation costs should be presented in the same line item on the balance sheet as amounts prepaid for the hosted service, if any (generally as an "other asset"). The capitalized costs will be amortized over the term of the hosting arrangement, with the amortization expense being presented in the same income statement line item as the fees paid for the hosted service. ASU 2018-15 is effective for annual periods beginning after December 15, 2020; early adoption is permitted. The Company is assessing the impact of this new standard.

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

3. Investments

The Company invests primarily in fixed maturity securities, which totaled 90% of total investments and cash and cash equivalents at December 31, 2018. As part of the novation transaction between CICA and CICA Ltd., CICA transferred approximately $746.69 million of fixed maturity securities to the Company. We have reclassified 100% of our fixed maturity holdings that were previously classified as held-to-maturity to available-for-sale based upon our intent and investment strategy as of September 30, 2018.

	December 31, 2018	
(In USD thousands, except for %)	**Carrying Value**	**% of Total Carrying Value**
Fixed maturity securities, available for sale	$ 780,047	90%
Policy loans	69,983	8%
Cash and cash equivalents	18,402	2%
Total cash, cash equivalents and investments	$ 868,432	100%

3. Investments (Continued)

The following table shows the distribution of the credit ratings of our portfolio of fixed maturity securities:

	December 31, 2018		
(In USD thousands, except for %)	**Cost or Amortized Cost**	**Fair Value**	**% of Total Fair Value**
AAA	$ 52,611	$ 52,610	7%
AA	345,045	347,480	44%
A	179,608	179,284	23%
BBB	189,049	185,312	24%
Total investment grade	766,313	764,686	98%
BB or below	11,371	10,933	1%
Not Rated	4,431	4,428	1%
	15,802	15,361	2%
Total fixed maturity securities	$ 782,115	$ 780,047	100%

The cost, gross unrealized gains and losses and fair value of investments in fixed maturities is as follows:

	December 31, 2018			
(In USD thousands)	**Cost or Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Fixed maturities, available-for-sale:				
U.S. Treasury securities	$ 756	$ 4	$ -	$ 760
U.S. States municipals, and political subdivisions	436,643	1,662	(533)	437,772
Other foreign governments	117	2	-	119
Corporate	252,679	815	(5,903)	247,591
Commercial mortgage-backed	27,439	324	(24)	27,739
Residential mortgage-backed	51,665	1,406	-	53,071
Other loan-backed and structured securities	12,816	182	(3)	12,995
Total fixed maturity securities, available for sale	$ 782,115	$ 4,395	$ (6,463)	$ 780,047

3. Investments (Continued)

For fixed maturity investments that have unrealized losses as of December 31, 2018, the cost, gross unrealized losses that have been in a continuous unrealized loss position for less than 12 months, gross unrealized losses that have been in a continuous unrealized loss position for 12 months or longer and fair value are as follows:

	December 31, 2018								
	Less than 12 months			Greater than 12 months			Total		
(In USD thousands, except for # of securities)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
Fixed maturities, available-for-sale securities:									
U.S. Treasury securities	$ 101	-	1	-	-	-	101	-	1
U.S. States, municipals, and political subdivisions	152,353	(529)	121	3,222	(4)	3	155,575	(533)	124
Corporate	175,503	(5,903)	109	-	-	-	175,503	(5,903)	109
Other loan-backed and structured securities	901	(3)	1	-	-	-	901	(3)	1
Commercial mortgage-backed	6,939	(24)	2	-	-	-	6,939	(24)	2
Total fixed maturity securities, available-for-securities	$ 335,797	(6,459)	234	3,222	(4)	3	339,019	(6.463)	237

The available-for-sale fixed maturities in a gross unrealized loss position for more than 12 months is primarily related to rises in interest rates which results in lower market prices on fixed maturity securities that have lower coupons than the current market rate. This is interest rate risk and is not a signal of impairment. Management has completed its assessment of other-than-temporary impairment of these securities. Based on our evaluation of the credit worthiness of the issuers and because we do not intend to sell the investments, nor is it likely that we would be required to sell these investments before recovery of their amortized cost bases, which may be maturity, none of the unrealized losses are considered to be other-than-temporary.

We monitor all debt securities on an on-going basis relative to changes in credit ratings, market prices, earnings trends and financial performance, in addition to specific region or industry reviews. Our impairment review, in accordance with current guidance, is performed by the Company at each reporting date and management uses its best judgment to decide if impairment is other-than-temporary. All securities with a market price below par were segregated and reviewed as of December 31, 2018 based upon the items above for impairment.

The amortized cost and fair value of fixed maturities at December 31, 2018 by contractual maturity are shown 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 the final stated maturity.

3. Investments (Continued)

(In USD thousands)	Cost or Amortized Cost	Fair Value
Fixed maturity securities:		
Due in one year or less	$ 29,655	$ 29,623
Due after one year through five years	82,666	82,300
Due after five years through ten years	127,178	126,732
Due after ten years	542,616	541,392
Total fixed maturities, available-for-sale securities	$ 782,115	$ 780,047

As of December 31, 2018, we did not hold any fixed maturity securities in any single issuer, other than securities issued or guaranteed by the U.S. government, which exceeded 10% of equity. In addition, there were no investments that were non-income producing for the year ended December 31, 2018.

Major categories of net investment income are summarized as follows:

(In USD thousands)	December 31, 2018
Investment income:	
Fixed maturities	$ 30,491
Policy loans	4,994
Short-term investments	115
Other	136
Total investment income	35,736
Investment expenses	(1,116)
Net investment income	$ 34,620

Proceeds and gross realized gains and losses from sales of fixed maturities available-for-sale for summarized as follows:

(In USD thousands)	December 31, 2018
Proceeds	$ 29,214
Gross realized gains	$ 28
Gross realized losses	$ 1,124

Realized investment losses are as follows:

(In USD thousands)	December 31, 2018
Realized investment losses on fixed maturities	
Sales, calls and maturities	$ (1,096)
OTTI	(361)
Net realized investment losses on fixed maturities	$ (1,457)

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 fixed maturity securities that are reported at fair value.

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 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, publicly traded mutual fund investments and individual stocks.

Level 2 includes those financial instruments that are valued by independent pricing services or broker quotes. These 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 fixed maturity securities, U.S. Government-sponsored enterprise securities, municipal securities 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. There were no transfers made during the year to/from Level 3 securities. We have no securities in this category as of December 31, 2018.

The following table sets forth our assets and liabilities that are measured at fair value on a recurring basis as of the date indicated.

	December 31, 2018		
(In USD thousands)	**Level 1**	**Level 2**	**Total Fair Value**
Financial assets - fixed maturities, available-for-sale:			
U.S. Treasury	$ 760	$ -	$ 760
U.S. States and political subdivisions	-	437,772	437,772
Corporate	-	247,591	247,591
Residential mortgage-backed	-	53,071	53,071
Commercial mortgage-backed	-	27,739	27,739
Other loan-backed and structured securities	-	12,995	12,995
Other foreign governments	-	119	119
Total financial assets - fixed maturities, available-for-sale	$ 760	$ 779,287	$ 780,047

4. Fair Value Measurements (Continued)

Fixed maturity securities, available-for-sale valuation:
At December 31, 2018, the fixed maturities, valued using a third-party pricing source, totaled $779.3 million for Level 2 assets and comprised 99.90% of total reported fair value. The Level 1 and Level 2 valuations are reviewed and validated quarterly through random testing by comparisons to separate pricing models, other third-party pricing services, and back tested to recent trades.

In addition, we obtain information relative to the third-party pricing models and review model parameters for reasonableness. For the year ended December 31, 2018, 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.

There were no transfers made between Levels 1 and 2 securities at December 31, 2018.

We review the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets. Such reclassifications, if any, are reported as transfers in and out of Level 3 at the beginning fair value for the reporting period in which the changes occur.

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 instrument. 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 balance sheet at year-end is as follows:

	December 31, 2018	
(In USD thousands)	**Carrying Value**	**Fair Value**
Financial assets:		
Policy loans	$ 69,983	$ 69,983
Cash and cash equivalents	18,402	18,402
Financial liabilities:		
Annuities – investment contracts	$ 25,847	$ 25,519

Fair values for fixed income securities, which are characterized as Level 2 assets in the fair value hierarchy, are based on quoted market prices for the same or similar securities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other assumptions, including the discount rate and estimates of future cash flows.

Policy loans have a weighted average annual interest rate of 7.50% as of December 31, 2018 and have no specified maturity dates. The aggregate fair value of policy loans approximates the carrying value reflected on the combined statement of financial position. These loans typically carry an interest rate that is tied to the crediting rate applied to the related policy and contract reserves. Policy loans are an integral part of the life insurance policies that we have in force and cannot be valued separately and are not marketable. Therefore, the fair value approximates the carrying value and policy loans are considered Level 3 assets in the fair value hierarchy.

The fair value of short-term investments approximates carrying value due to their short-term nature. Our short-term investments are considered Level 2 assets in the fair value hierarchy.

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

5. Policy Liabilities

Various assumptions used to determine the future policy benefit reserves of life insurance include the following: a) valuation interest rates; b) mortality assumptions; and c) withdrawals.

The following table presents information on changes in the liability for life claims for the year ended December 31, 2018.

(In USD thousands)	**December 31, 2018**
Policy claims payable, beginning of year	$ 2,070
Less: reinsurance recoverable	-
Net balance	2,070
Add claims incurred, related to:	
Current year	3,194
Prior years	2,029
	5,223
Deduct claims paid, related to:	
Current year	2,367
Prior years	3,302
	5,669
Net balance, December 31	1,624
Plus: reinsurance recoverable	452
Policy claims payable, end of year	$ 2,076

The Company experienced an unfavorable development in 2018 of $2.03 million. No unusual claims or trends have been noted.

6. Reinsurance

In the normal course of business, the Company reinsures portions of certain policies that we underwrite to limit disproportionate risks. During 2018, we retained varying amounts of individual insurance up to a maximum retention of $100,000 on any life. The Company also reinsures 100% of our accidental death benefit rider coverage. We remain contingently liable to the extent that the reinsuring companies cannot meet their obligations under the reinsurance treaties.

Our amounts recoverable from reinsurers represent receivables from and reserves ceded to reinsurers. We obtain reinsurance from multiple reinsurers, and we monitor concentration as well as financial strength ratings of our principal reinsurers. The ratings by A.M. Best Company range from A+ (Superior) to B+ (Good).

Direct and ceded life reinsurance activity as of December 31, 2018 is summarized as follows:

(In USD thousands)	**December 31, 2018**
Aggregate direct life insurance in force	$ 3,142,464
Aggregate ceded life insurance in force	418,722
Net life insurance in force	$ 2,723,742

6. Reinsurance (Continued)

The Company's reinsurance recoveries on ceded reinsurance were $2.78 million in 2018. Refer to Note 1 for details on the novation transaction.

Premiums, claims and surrenders direct and ceded for all lines of business are summarized as follows:

(In USD thousands)		December 31, 2018
Premiums from long-duration contracts:		
Direct	$	138,319
Ceded		(2,775)
Total premiums earned	$	135,544
Claims and surrenders ceded	$	(87)

7. Share Capital

The authorized and issued share capital of the Company is $250,000 divided into 250,000 ordinary shares, par value $1 each.

8. Commitments and Contingencies

From time to time we are subject to legal and regulatory actions relating to our business. We defend all claims vigorously. As a result, we incur defense costs, including attorneys' fees, other direct litigation costs and the expenditure of management time that otherwise would be devoted to our business. 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.

The Company has a lease commitment for office space that expires on August 31, 2019. Minimum lease payment under this commitment for the year 2019 is $43.33 thousand. Other general expenses include rental expense for the year 2018 of $0.26 million.

9. Other Operating Information

The following table sets forth the Company's annual total of earned premiums by geographic area:

(In USD thousands)		December 31, 2018
Area:		
Colombia	$	27,488
Venezuela		23,758
Taiwan		18,874
Ecuador		14,532
Brazil		10,272
Other countries		43,395
Net reinsurance		(2,775)
Total	$	135,544

10. Statutory Requirements

The Company operates in Bermuda and is subject to Bermuda's Insurance Account Rules, amendments thereto and related Regulations (the "Act"). Under the Act, the Company is prohibited from declaring or paying in any fiscal year dividends of more than 25% of its prior year's statutory capital and surplus without prior approval from the Bermuda Monetary Authority (BMA). Similarly, approval from the BMA is required before any reduction of statutory capital by more than 15% compared to the previous year statutory capital. The primary difference between financial statements prepared for insurance regulatory authorities and statements prepared in accordance with U.S. GAAP is that financial statements prepared for the insurance regulatory authorities apply prudential filters to the U.S. GAAP financial statements in order to derive the Statutory Financial Statements. Prudential filters refer to adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets, not considered admissible for solvency purposes; and to include certain off-balance sheet assets and liabilities such as guarantees and other instruments that do not relate to insurance contracts. The Company met all requirements of the Act as of December 31, 2018 and there are no additional restrictions on the distribution of retained earnings. As of December 31, 2018, the maximum distribution CICA Ltd. was permitted to pay Citizens without the need for prior approval was $Nil.

Bermuda statutory requirements:
The Company is licensed as a Class E Long term insurer under the Act and is required to maintain a minimum statutory solvency margin equal to the greater of a minimum solvency margin (MSM) and a percentage of the Enhanced Capital Requirement (ECR). The MSM is equal to the greater of (i) $8 million (ii) 2% of the first $500 million of assets plus 1.5% of assets above $500 million, which is $17.65 million for the Company as at December 31, 2018, or (iii) 25% of ECR, which is $15.37 million for the Company as at December 31, 2018 (calculated as ECR of $61.49 million x 25%). The Company's statutory capital and surplus of $34.28 million as at December 31, 2018 exceeds the minimum statutory solvency margin of $17.65 million.

The ECR is calculated based on a standard risk-based capital model developed by the Bermuda Monetary Authority (BMA). The Bermuda Solvency Capital Requirement (BSCR) employs a standard mathematical model that can relate more accurately the risks taken on by (re)insurers to the capital that is dedicated to their business. Insurers and reinsurers may adopt the BSCR model or, where an insurer or reinsurer believes that its own internal model better reflects the inherent risk of its business, an in-house model approved by the BMA. The Company has adopted the standard BSCR model.

11. Related Parties

As of December 31, 2018, included in other liabilities is an amount of $0.77 million relating to accrued cost sharing fees payable to Citizens, Inc., for certain services provided to the Company at agreed costs and fees pursuant to a Services Agreement. As part of the service agreement, Citizens was given the authority to perform the following standard services respecting all accounts and the insurance business of the Company, such as: new application underwriting, claims management, policyowner service, support services for independent marketing consultants, actuarial assistance, policy accounting, commission accounting, investment accounting, general accounting and routine data processing. The consideration for the services to be performed includes a monthly fee equal to Citizens' actual expenses of providing the service, with the exception of the actuarial and underwriting support functions, which include a 12.5% cost markup. The service agreement specifies a minimum monthly consideration $8 thousand. Amounts expensed in the year amounted to $17.85 million.

In 2017, Citizens contributed $250 thousand to CICA Ltd. to capitalize the Company. On July 1, 2018, Citizens effected a novation of all the international policies issued by CICA Life Insurance Company of America, a Colorado domiciled entity and a related party through common ownership, to CICA Ltd. In 2018, a ceding fee of $11.30 million was paid to CICA as part of the novation transaction.

12. Concentration of Credit Risk

The Company is a party to financial instruments with a concentration of credit risk in the normal course of business. The creditworthiness of any counterparty is evaluated by the Company, taking into account credit ratings assigned by rating agencies. The credit approval process involves an assessment of factors including, among others, the counterparty and country and industry credit exposure limits. Collateral may be required, at the discretion of the Company, on certain

12. Concentration of Credit Risk (Continued)

transactions based on the creditworthiness of the counterparty and the nature of the liabilities. The areas where significant concentrations of credit risk may exist include fixed maturity securities and reinsurance balances receivable (collectively, "reinsurance assets"). For reinsurance assets, the risk of loss is mitigated by the Company's ability to offset amounts owed to the ceding company with the amounts owed to the Company by the ceding company. Mitigating factors include using financially sound custodians, investment grade collateral with further investment guidelines governing the quality of the portfolio, ceding companies with high credit rating, and ability to offset amounts owed to ceding companies with amounts due from them.

Fixed maturity securities:
The Company's investments are managed following prudent standards of diversification. The Company attempts to limit its credit exposure by purchasing a diversified pool of high-quality fixed maturity securities to maintain an investment grade average portfolio that can be pledged as collateral or support retained earnings.

13. Subsequent Events

The Company has evaluated the effects of events subsequent to December 31, 2018, for recognition and disclosure, through to May 31, 2019, which is the date the financial statements were made available to be issued. There were no material events that occurred subsequent to December 31, 2018.