

CITIZENS INC
Form 10-Q
November 07, 2018

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, 2018

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

For the Transition Period from to
COMMISSION FILE NUMBER: 000-16509
CITIZENS, INC.

(Exact name of registrant as specified in its charter)
Colorado 84-0755371
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

2900 Esperanza Crossing, 2nd Floor
Austin, Texas 78758
(Address of principal executive offices) (Zip Code)
(Registrant's telephone number, including area code:) (512) 837-7100
(Former name, former address and former fiscal year, if changed since last report:) N/A

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of 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). Yes 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 | Accelerated | Non-accelerated | Smaller reporting | Emerging growth |
| filer | filer | filer | company | company |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with

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any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of November 2, 2018, the Registrant had 49,080,114 shares of Class A common stock, no par value, outstanding and 1,001,714 shares of Class B common stock outstanding.

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TABLE OF CONTENTS

| | Page Number |
|--------------------------------------------------------------------------------------------------------------------|----------------|
| Part I. Financial Information | |
| Item 1. <u>Financial Statements</u> | |
| <u>Consolidated Statements of Financial Position, September 30, 2018 (Unaudited) and December 31, 2017</u> | <u>2</u> |
| <u>Consolidated Statements of Comprehensive Income, Three Months Ended September 30, 2018 and 2017 (Unaudited)</u> | <u>4</u> |
| <u>Consolidated Statements of Comprehensive Income, Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u> | <u>5</u> |
| <u>Consolidated Statements of Stockholders' Equity, Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u> | <u>6</u> |
| <u>Consolidated Statements of Cash Flows, Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u> | <u>7</u> |
| <u>Notes to Consolidated Financial Statements (Unaudited)</u> | <u>9</u> |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>33</u> |
| Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u> | <u>59</u> |
| Item 4. <u>Controls and Procedures</u> | <u>61</u> |
| Part II. Other Information | |
| Item 1. <u>Legal Proceedings</u> | <u>62</u> |
| Item 1A. <u>Risk Factors</u> | <u>62</u> |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>76</u> |
| Item 3. <u>Defaults Upon Senior Securities</u> | <u>76</u> |
| Item 4. <u>Mine Safety Disclosures</u> | <u>76</u> |
| Item 5. <u>Other Information</u> | <u>76</u> |
| Item 6. <u>Exhibits</u> | <u>77</u> |

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Financial Position

(In thousands)

| | September 30, 2018 | December 31, 2017 |
|---------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| | (Unaudited) | |
| Assets | | |
| Investments: | | |
| Fixed maturities available-for-sale, at fair value (cost: \$1,193,211 and \$935,977 in 2018 and 2017, respectively) | \$ 1,200,154 | 974,609 |
| Fixed maturities held-to-maturity, at amortized cost (fair value: \$241,377 in 2017) | — | 233,961 |
| Equity securities, at fair value (cost: \$15,289 in 2017) | 15,529 | 16,164 |
| Mortgage loans on real estate | 188 | 195 |
| Policy loans | 79,012 | 73,735 |
| Real estate held for investment (less \$1,258 and \$5,479 accumulated depreciation in 2018 and 2017, respectively) | 5,743 | 7,416 |
| Real estate held for sale (less \$4,411 accumulated depreciation in 2018) | 1,483 | — |
| Other long-term investments | 22 | 36 |
| Total investments | 1,302,131 | 1,306,116 |
| Cash and cash equivalents | 68,753 | 46,064 |
| Accrued investment income | 18,389 | 19,062 |
| Reinsurance recoverable | 3,626 | 3,715 |
| Deferred policy acquisition costs | 158,253 | 167,063 |
| Cost of customer relationships acquired | 16,163 | 17,499 |
| Goodwill | 12,624 | 12,624 |
| Other intangible assets | 958 | 961 |
| Deferred tax asset | — | 50,797 |
| Property and equipment, net | 6,329 | 6,624 |
| Due premiums, net (less \$1,564 and \$1,611 allowance for doubtful accounts in 2018 and 2017, respectively) | 12,338 | 12,765 |
| Prepaid expenses | 1,134 | 251 |
| Other assets | 1,214 | 912 |
| Total assets | \$ 1,601,912 | 1,644,453 |

(Continued)

See accompanying notes to consolidated financial statements.

Table of Contents

CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Financial Position

(In thousands, except share amounts)

| | September 30, December 31, | |
|----------------------------------------|----------------------------|-----------|
| | 2018 | 2017 |
| Liabilities and Stockholders' Equity | (Unaudited) | |
| Liabilities: | | |
| Policy liabilities: | | |
| Future policy benefit reserves: | | |
| Life insurance | \$ 1,165,443 | 1,133,875 |
| Annuities | 75,803 | 73,688 |
| Accident and health | 923 | 990 |
| Dividend accumulations | 25,513 | 23,713 |
| Premiums paid in advance | 50,651 | 51,431 |
| Policy claims payable | 7,327 | 8,610 |
| Other policyholders' funds | 10,159 | 8,483 |
| Total policy liabilities | 1,335,819 | 1,300,790 |
| Commissions payable | 1,947 | 2,430 |
| Federal income tax payable | 47,637 | 93,365 |
| Deferred federal income tax liability | 10,374 | — |
| Other liabilities | 25,396 | 24,355 |
| Total liabilities | 1,421,173 | 1,420,940 |
| Commitments and contingencies (Note 8) | | |