

CITIZENS INC
Form 10-Q
May 04, 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 March 31, 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 incorporation or organization) (I.R.S. Employer 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 definition of "large accelerated filer", "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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

..

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

As of May 1, 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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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Financial Position

(In thousands)

(Unaudited)

	March 31, 2018	December 31, 2017
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (cost: \$960,303 and \$935,977 in 2018 and 2017, respectively)	\$981,095	974,609
Fixed maturities held-to-maturity, at amortized cost (fair value: \$235,827 and \$241,377 in 2018 and 2017, respectively)	230,705	233,961
Equity securities, at fair value (cost: \$15,289 in 2017)	15,449	16,164
Mortgage loans on real estate	193	195
Policy loans	75,636	73,735
Real estate held for investment (less \$5,562 and \$5,479 accumulated depreciation in 2018 and 2017, respectively)	7,334	7,416
Other long-term investments	35	36
Total investments	1,310,447	1,306,116
Cash and cash equivalents	41,247	46,064
Accrued investment income	18,752	19,062
Reinsurance recoverable	3,780	3,715
Deferred policy acquisition costs	165,563	167,063
Cost of customer relationships acquired	16,925	17,499
Goodwill	12,624	12,624
Other intangible assets	960	961
Deferred tax asset	56,342	50,797
Property and equipment, net	6,330	6,624
Due premiums, net (less \$1,370 and \$1,611 allowance for doubtful accounts in 2018 and 2017, respectively)	10,895	12,765
Prepaid expenses	639	251
Other assets	955	912
Total assets	\$1,645,459	1,644,453

(Continued)

See accompanying notes to consolidated financial statements.

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CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Financial Position

(In thousands, except share amounts)

(Unaudited)

	March 31, 2018	December 31, 2017
Liabilities and Stockholders' Equity		
Liabilities:		
Policy liabilities:		
Future policy benefit reserves:		
Life insurance	\$ 1,148,052	1,133,875
Annuities	74,806	73,688
Accident and health	937	990
Dividend accumulations	24,397	23,713
Premiums paid in advance	52,723	51,431
Policy claims payable	9,048	8,610
Other policyholders' funds	8,421	8,483
Total policy liabilities	1,318,384	1,300,790
Commissions payable	1,982	2,430
Federal income tax payable	97,716	93,365
Other liabilities	17,931	24,355
Total liabilities	1,436,013	1,420,940
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Class A, no par value, 100,000,000 shares authorized, 52,215,852 shares issued and outstanding in 2018 and 2017, including shares in treasury of 3,135,738 in 2018 and 2017	259,383	259,383
Class B, no par value, 2,000,000 shares authorized, 1,001,714 shares issued and outstanding in 2018 and 2017	3,184	3,184
Accumulated deficit	(58,500)	(54,375)
Accumulated other comprehensive income:		
Unrealized gains on securities, net of tax	16,390	26,332
Treasury stock, at cost	(11,011)	(11,011)
Total stockholders' equity	209,446	223,513
Total liabilities and stockholders' equity	\$ 1,645,459	1,644,453

See accompanying notes to consolidated financial statements.

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CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Three Months Ended March 31,

(In thousands, except per share amounts)

(Unaudited)

	2018	2017
Revenues:		
Premiums:		
Life insurance	\$42,529	43,804
Accident and health insurance	291	328
Property insurance	1,209	1,249
Net investment income	13,771	12,739
Realized investment gains (losses), net	(575)	1,263
Other income	208	198
Total revenues	57,433	59,581
Benefits and expenses:		
Insurance benefits paid or provided:		
Claims and surrenders	21,151	21,724
Increase in future policy benefit reserves	14,608	14,536
Policyholders' dividends	1,307	1,304
Total insurance benefits paid or provided	37,066	37,564
Commissions	8,959	9,925
Other general expenses	6,507	10,156
Capitalization of deferred policy acquisition costs	(5,963)	(6,901)
Amortization of deferred policy acquisition costs	7,606	7,375
Amortization of cost of customer relationships acquired	679	519
Total benefits and expenses	54,854	58,638
Income before federal income tax	2,579	943
Federal income tax expense (benefit)	2,542	(1,113)
Net income	37	2,056
Per Share Amounts:		
Basic and diluted earnings per share of Class A common stock	\$—	0.04
Basic and diluted earnings per share of Class B common stock	—	0.02
Other comprehensive income (loss):		
Unrealized gains (losses) on available-for-sale debt securities:		
Unrealized holding gains (losses) arising during period	(18,098)	5,137
Reclassification adjustment for losses (gains) included in net income	259	(152)
Unrealized gains (losses) on available-for-sale debt securities, net	(17,839)	4,985
Income tax expense (benefit) on unrealized gains (losses) on available-for-sale debt securities	(3,735)	1,745
Other comprehensive income (loss)	(14,104)	3,240
Total comprehensive income (loss)	\$(14,067)	5,296

See accompanying notes to consolidated financial statements.

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CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Three Months Ended March 31, 2018 and 2017

(In thousands)

(Unaudited)

	Common Stock		Accumulated	Accumulated	Treasury	Total
	Class A	Class B	deficit	other comprehensive income (loss)	stock	Stockholders' equity
Balance at December 31, 2016	\$259,383	3,184	(16,248)	13,792	(11,011)	249,100
Comprehensive income:						
Net income	—	—	2,056	—	—	2,056
Unrealized investment gains, net	—	—	—	3,240	—	3,240
Total comprehensive income	—	—	2,056	3,240	—	5,296
Balance at March 31, 2017	\$259,383	3,184	(14,192)	17,032	(11,011)	254,396
Balance at December 31, 2017	\$259,383	3,184	(54,375)	26,332	(11,011)	223,513
Accounting standards adopted January 1, 2018	—	—	(4,162)	4,162	—	—
Balance at January 1, 2018	259,383	3,184	(58,537)	30,494	(11,011)	223,513
Comprehensive loss:						
Net income	—	—	37	—	—	37
Unrealized investment losses, net	—	—	—	(14,104)	—	(14,104)
Total comprehensive loss	—	—	37	(14,104)	—	(14,067)
Balance at March 31, 2018	\$259,383	3,184	(58,500)	16,390	(11,011)	209,446

See accompanying notes to consolidated financial statements.

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CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

Three Months Ended March 31,

(In thousands)

(Unaudited)

	2018	2017
Cash flows from operating activities:		
Net income	\$ 37	2,056
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized (gains) losses on sale of investments and other assets	575	(1,263)
Net deferred policy acquisition costs	1,643	474
Amortization of cost of customer relationships acquired	679	519
Depreciation	437	236
Amortization of premiums and discounts on investments	4,155	4,106
Deferred federal income tax benefit	(1,793)	(3,895)
Change in:		
Accrued investment income	310	267
Reinsurance recoverable	(65)	(47)
Due premiums	1,870	1,589
Future policy benefit reserves	14,757	14,527
Other policyholders' liabilities	2,352	3,849
Federal income tax payable	4,335	6,155
Commissions payable and other liabilities	(6,872)	(5,785)
Other, net	(429)	(1,158)
Net cash provided by operating activities	21,991	21,630
Cash flows from investing activities:		
Sale of fixed maturities, available-for-sale	—	508
Maturities and calls of fixed maturities, available-for-sale	16,501	18,111
Maturities and calls of fixed maturities, held-to-maturity	2,295	1,245
Purchase of fixed maturities, available-for-sale	(43,914)	(41,076)
Sale of equity securities, available-for-sale	—	1,940
Calls of equity securities, available-for-sale	—	300
Principal payments on mortgage loans	2	32
Increase in policy loans, net	(1,901)	(944)
Sale of other long-term investments and real estate	1	3,039
Purchase of property and equipment	(61)	(433)
Net cash used in investing activities	(27,077)	(17,278)

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CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows, Continued

Three Months Ended March 31,

(In thousands)

(Unaudited)

	2018	2017
Cash flows from financing activities:		
Annuity deposits	\$1,775	2,705
Annuity withdrawals	(1,506)	(1,416)
Net cash provided by financing activities	269	1,289
Net increase (decrease) in cash and cash equivalents	(4,817)	5,641
Cash and cash equivalents at beginning of year	46,064	35,510
Cash and cash equivalents at end of period	\$41,247	41,151
Supplemental disclosures of operating activities:		
Cash paid (received) during the period for income taxes, net	\$—	(3,372)

Supplemental disclosures of noncash activities:

None.

See accompanying notes to consolidated financial statements.

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CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2018

(Unaudited)

(1) Financial Statements

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts and operations of Citizens, Inc. ("Citizens"), a Colorado corporation, and its wholly-owned subsidiaries, CICA Life Insurance Company of America ("CICA"), Security Plan Life Insurance Company ("SPLIC"), Security Plan Fire Insurance Company ("SPFIC"), Citizens National Life Insurance Company ("CNLIC"), Magnolia Guaranty Life Insurance Company ("MGLIC"), Computing Technology, Inc. ("CTI"), Insurance Investors, Inc. ("III") and CICA Life Ltd. Citizens and its wholly-owned subsidiaries are collectively referred to as "the Company," "we," "us" or "our."

The consolidated statements of financial position as of March 31, 2018, and the consolidated statements of comprehensive income for the three-months ended March 31, 2018 and March 31, 2017 and the consolidated statements of cash flows for the three-month periods ended March 31, 2018 and March 31, 2017, have been prepared by the Company without 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 March 31, 2018 and for comparative periods have been made. The consolidated financial statements have been prepared in accordance with United States 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 financial statements do not include all of 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, 2017. 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.

We provide primarily life insurance and a small amount of health insurance policies through our insurance subsidiaries: CICA, SPLIC, MGLIC and CNLIC. Until the end of 2016, CICA and CNLIC issued ordinary whole-life policies, credit life and disability, burial insurance, pre-need policies, and accident and health related policies, throughout the Midwest and southern United States. Beginning January 1, 2017, CICA and CNLIC ceased selling life products domestically. The Company is developing a new product strategy domestically and plans to re-enter the life market in 2019. CICA primarily issues ordinary whole-life and endowment policies to non-U.S. residents. SPLIC offers final expense and home service life insurance in Louisiana, Arkansas and Mississippi, and SPFIC, a wholly-owned subsidiary of SPLIC, writes a limited amount of property insurance in Louisiana. MGLIC provides industrial life policies through independent funeral homes in Mississippi.

CTI provides data processing systems and services, as well as furniture and equipment, to the Company. III is currently not active. We plan to dissolve III and merge it into Citizens. CICA Life Ltd. is a newly established Bermuda entity that plans to begin operations in mid-2018.

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 the 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 from those estimates.

The most significant estimates include those used in the evaluation of other-than-temporary impairments on debt and equity securities, actuarially determined assets and liabilities and assumptions, tests of goodwill impairment, valuation allowance on deferred tax assets, valuation of uncertain tax positions and contingencies relating 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.

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CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

March 31, 2018

(Unaudited)

Significant Accounting Policies

For a description of significant accounting policies, see Note 1 of the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017, which should be read in conjunction with these accompanying consolidated financial statements.

(2) Accounting Pronouncements

Accounting Standards Recently Adopted

On February 14, 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. It allows a reclassification from accumulated other comprehensive income ("AOCI") to retained earnings of the stranded tax effects that occurred due to the enactment of the Tax Cuts and Jobs Act of 2017 (the "New Tax Act"). The updated guidance is effective for reporting periods beginning after December 15, 2018 and is to be applied retrospectively to each period in which there are items impacted by the New Tax Act remaining in AOCI or at the beginning of the period of adoption. Early adoption is permitted. The Company adopted the updated guidance effective January 1, 2018 and elected to reclassify the income tax effects of the New Tax Act from AOCI to accumulated deficit as of January 1, 2018. This reclassification resulted in an increase in accumulated deficit of \$4.7 million as of January 1, 2018 and an increase in AOCI by the same amount.

In January 2016, the FASB released ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The updated guidance requires equity investments, except those accounted for under the equity method of accounting, that have readily determinable fair value to be measured at fair value with any changes in fair value recognized in net income. Equity securities that do not have readily determinable fair values may be measured at estimated fair value or cost less impairment, if any, adjusted for subsequent observable price changes, with changes in the carrying value recognized in net income. A qualitative assessment for impairment is required for equity investments without readily determinable fair values. The updated guidance also eliminates the requirement to disclose the method and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost on the balance sheet. The updated guidance was effective for the quarter ended March 31, 2018. The adoption of this guidance resulted in the recognition of \$560,000 of net after-tax unrealized gains on equity investments as a cumulative effect adjustment that decreased retained deficit as of January 1, 2018 and decreased AOCI by the same amount. The Company elected to report changes in the fair value of equity investments in realized investment gains (losses), net. At December 31, 2017, equity investments were classified as available-for-sale on the Company's balance sheet. However, upon adoption, the updated guidance eliminated the available-for-sale balance sheet classification for equity investments.

Accounting Standards Not Yet Adopted

The FASB's new lease accounting standard ASU 2016-02, Leases (Topic 842), was issued on February 25, 2016. The ASU will require 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. The ASU on leases will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is assessing the impact of this new standard.

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 amendments in this ASU require 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

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CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

March 31, 2018

(Unaudited)

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 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. For public business entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is evaluating the impact this guidance will have on our consolidated financial statements, but it is not expected to have a significant impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU No. 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 had already been amortizing the premium to the earliest call date to reduce volatility in earnings by eliminating reporting large realized losses when debt securities are called. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018.

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

(3) Segment Information

The Company has two reportable segments: Life Insurance and Home Service Insurance. The Life Insurance and Home Service portions of the Company constitute separate businesses. In addition to the Life Insurance and Home Service business, the Company also operates other non-insurance ("Other Non-Insurance") portions of the Company, which primarily include the Company's IT and Corporate-support functions, which are included in the tables presented below to properly reconcile the segment information with the consolidated financial statements of the Company.

The accounting policies of the segments and other non-insurance enterprises are in accordance with U.S. GAAP and are the same as those used in the preparation of the consolidated financial statements. The Company evaluates profit and loss performance based on U.S. GAAP income before federal income taxes for its two reportable segments.

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CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

March 31, 2018

(Unaudited)

The Company's Other Non-Insurance enterprises are the only reportable difference between segments and consolidated operations.

	Three Months Ended			
	March 31, 2018			
	Life	Home	Other	Consolidated
	Insurance	Service	Non-Insurance	Enterprises
	(In thousands)			
Revenues:				
Premiums	\$32,360	11,669	—	44,029
Net investment income	10,130	3,302	339	13,771
Realized investment losses, net	(185)	(352)	(38)	(575)
Other income (loss)	209	(1)	—	208
Total revenue	42,514	14,618	301	57,433
Benefits and expenses:				
Insurance benefits paid or provided:				
Claims and surrenders	15,291	5,860	—	21,151
Increase in future policy benefit reserves	13,582	1,026	—	14,608
Policyholders' dividends	1,297	10	—	1,307
Total insurance benefits paid or provided	30,170	6,896	—	37,066
Commissions	5,228	3,731	—	8,959
Other general expenses ⁽¹⁾	(884)	5,544	1,847	6,507
Capitalization of deferred policy acquisition costs	(4,640)	(1,323)	—	(5,963)
Amortization of deferred policy acquisition costs	6,540	1,066	—	7,606
Amortization of cost of customer relationships acquired	152	527	—	679
Total benefits and expenses	36,566	16,441	1,847	54,854
Income (loss) before income tax expense	\$5,948	(1,823)	(1,546)	2,579

⁽¹⁾ During the three months ended March 31, 2018, the Company reduced its estimate of the liability accrued for policies that are not in compliance with Section 7702 of the Internal Revenue Code from \$12.3 million to \$5.1 million, as we continue to refine our estimates. The decrease is primarily related to the Life Insurance segment, which when offset by the impact of increased compliance costs, resulted in a negative amount reported for other general expenses for the Life Insurance segment for the three months ended March 31, 2018. For further information, refer to disclosures under the "Qualification of Life Products" heading within Note 8 in the Company's notes to consolidated financial statements.

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CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

March 31, 2018

(Unaudited)

	Three Months Ended March 31, 2017			
	Life Insurance	Home Service Insurance	Other Non-Insurance Enterprises	Consolidated
	(In thousands)			
Revenues:				
Premiums	\$33,563	11,818	—	45,381
Net investment income	9,131	3,259	349	12,739
Realized investment gains, net	77	1,186	—	1,263
Other income (loss)	118	(1) 81	198
Total revenue	42,889	16,262	430	59,581
Benefits and expenses:				
Insurance benefits paid or provided:				
Claims and surrenders	15,676	6,048	—	21,724
Increase in future policy benefit reserves	13,260	1,276	—	14,536
Policyholders' dividends	1,295	9	—	1,304
Total insurance benefits paid or provided	30,231	7,333	—	37,564
Commissions	6,007	3,918	—	9,925
Other general expenses	3,872	4,858	1,426	10,156
Capitalization of deferred policy acquisition costs	(5,378) (1,523) —	(6,901
Amortization of deferred policy acquisition costs	6,306	1,069	—	7,375
Amortization of cost of customer relationships acquired	172	347	—	519
Total benefits and expenses	41,210	16,002	1,426	58,638
Income (loss) before income tax expense	\$1,679	260	(996) 943

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CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements, Continued

March 31, 2018

(Unaudited)

(4) Earnings Per Share

The following tables set forth the computation of basic and diluted earnings per share.

	Three Months Ended March 31, 2018 (In thousands, except per share amounts)
Basic and diluted earnings per share:	
Numerator:	
Net income	\$ 37,205
Net income allocated to Class A common stock	\$ 37,035
Net income allocated to Class B common stock	— 21
Net income	\$ 37,205
Denominator:	
Weighted average shares of Class A outstanding - basic and diluted	49,080