

**CICA Life Ltd.**

**Financial Condition Report**

For the year ending December 31, 2018

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## 1. EXECUTIVE SUMMARY

CICA Life Ltd. (the “Company” or “CICA Ltd.”) is wholly owned subsidiary of Citizens, Inc. (the “Parent”), a publicly listed company incorporated under the laws of United States of America. The Company is licensed as a Class E insurer and was registered under the Insurance Act 1978 on February 27, 2018.

The Company sells ordinary whole-life insurance products on an international basis through independent general agents. The Company’s premium income is derived primarily from life insurance products.

This financial condition report (“FCR”) for CICA Ltd. is produced in accordance with the Insurance (Public Disclosure) Rules 2015 (the “Rules”) under the Bermuda Insurance Act 1978 (the “Act”). This outlines the financial condition of CICA Ltd. as at December 31, 2018. The FCR contains qualitative and quantitative information of CICA Ltd.’s business and performance, governance structure, risk profile, solvency valuation and capital management.

This is the first FCR published by the Company based on its position at December 31, 2018.

## 2. DECLARATION

### Declaration on the Financial Condition Report

We, the undersigned, declare that to the best of our knowledge and belief, the financial condition report fairly represents the financial condition of the Company in all material respects as at December 31, 2018.



**David S. Jorgensen**  
General Manager



**Larry D. Welch**  
Chief Risk Officer

## 3. BUSINESS AND PERFORMANCE

### a. Name of Insurer

CICA Life Ltd.

### b. Supervisor

The Insurance Supervisor for the Company is:

The Bermuda Monetary Authority (“BMA”)  
BMA House  
43 Victoria Street, Hamilton  
Bermuda  
(441) 295-2758

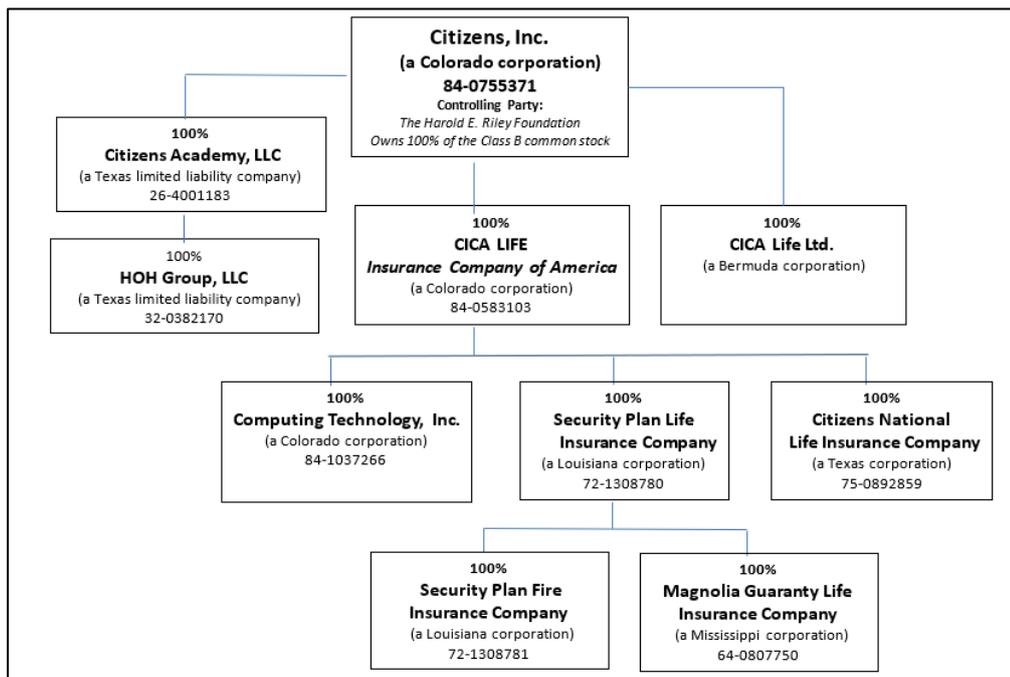
**c. Approved Auditor**

- i. Statutory Reporting:  
Deloitte Ltd.  
Corner House, 20 Parliament Street, Hamilton, Bermuda  
1-441-292-1500
- ii. GAAP Reporting:  
Deloitte & Touche LLP  
500 West 2nd Street, Suite 1600, Austin, Texas, USA  
1-512-691-2300

**d. Ownership Details**

CICA Ltd. is a wholly-owned subsidiary of Citizens, Inc.

**e. Group Structure**



**f. Insurance Business Written by Business Segment and Geographical Region**

- i. Gross Premium Written by Business Segment for the Reporting Period

Line of business	Year Ended December 31, 2018	
	Gross Premium Written USD 000's	Net Premium Written USD 000's
Mortality	\$ 138,319	\$ 135,544
Total	\$ 138,319	\$ 135,544

ii. Gross Premium Written by Geographical Region for the Reporting Period

	Year Ended December 31, 2018
Geographical Region	Gross Premium Written USD 000's
Colombia	\$ 27,488
Venezuela	23,758
Taiwan	18,874
Ecuador	14,532
Brazil	10,272
Other foreign countries	43,395
Total	\$ 138,319

g. Performance of Investments and Material Income and Expenses Incurred for the Reporting Period

i. Performance

Major categories of net investment income are summarized as follows:

	Year Ended December 31, 2018 USD 000's
<b>Investment income:</b>	
Fixed maturities	\$ 30,491
Policy loans	4,994
Short-term investments	115
Other	136
<b>Total investment income</b>	35,736
<b>Investment expenses</b>	(1,116)
<b>Net investment income</b>	\$ 34,620

Realized investment gains on fixed maturities is as follows:

	Year Ended December 31, 2018 USD 000's
<b>Realized investment gains:</b>	
Sales, calls and maturities	\$ (1,096)
Other-than-temporary impairments	(361)
<b>Net realized investment gains</b>	\$ (1,457)

ii. Material Income & Expenses for the Reporting Period

<i>(USD 000's)</i>	<b>Year Ended December 31, 2018</b>
<b>Revenues:</b>	
Premiums	\$ 135,544
Net investment income	34,620
Realized investment losses, net	(1,457)
Other income	1,619
Total revenue	170,326
<b>Benefits and expenses:</b>	
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
<b>Total benefits and expenses</b>	<b>161,262</b>
<b>Income before income tax expense</b>	<b>\$ 9,064</b>

h. Any other Material Information

None.

**4. GOVERNANCE STRUCTURE**

a. Board and Senior Executive

- i. Board and Senior Executive Structure, role, responsibilities and segregation of responsibilities

The Board of Directors of the Company (the “Board”) oversees the effective management of the Company’s business and affairs and is responsible for the maintenance of an effective corporate governance framework. The Board is elected annually. The Board has delegated its authority (under its oversight) to the following committees to assist it in discharging its responsibilities:

- Executive Committee
- Risk and Compliance Committee
- Finance and Audit Committee
- Underwriting and Claims Committee
- Investment Committee

- Asset Liability Management Committee
- Compensation Committee

The Company's senior executives assist the Board with its oversight responsibilities by its reporting to the Board on the Company's business activities. The senior executives also make recommendations to the Board regarding, and are responsible for, the execution of the Company's strategic plans and objectives.

The directors and senior executives of the Company are detailed in the table below:

Directors	Position
Geoffrey M. Kolander	Chairman
Kay E. Osbourn	Director <i>(Resigned effective April 2019)</i>
Robert M. Mauldin	Director <i>(Resigned effective April 2019)</i>
Jeffery P. Conklin	Director
Senior Executives	Position
David S. Jorgensen	General Manager
Kay E. Osbourn	Chief Risk Officer <i>(Resigned effective April 2019)</i>
Larry D. Welch	Chief Risk Officer <i>(Appointed effective April 2019)</i>
Peter Seely	Underwriting Manager
Laila Imtiaz	Finance Manager

#### **Geoffrey M. Kolander**

Mr. Kolander was elected Chairman of CICA Life Ltd. on June 15, 2017. He has served as President and Chief Executive Officer of Citizens, Inc. since September 12, 2017, having served as Chief Executive Officer from November 2016, and as Senior Vice President, Chief Legal Officer and Corporate Strategy Officer since June 2015. He joined Citizens in 2006 as Vice President and General Counsel of the Company and was appointed Corporate Secretary in 2007 and Executive Vice President in January 2010. Mr. Kolander is a licensed attorney in Colorado, New York and Texas.

#### **Kay E. Osbourn**

Ms. Osbourn was elected to the CICA Life Ltd. Board of Directors on June 15, 2017. She was appointed Executive Vice President and Chief Financial Officer of Citizens, Inc. on September 12, 2017, having served as President since November 2016 and as Interim CEO from June 7 – November 6, 2016. She joined Citizens as Vice President, Internal Audit, in April 2008. In March 2009, she became Vice President, Treasurer and Chief Financial Officer, and was appointed Executive Vice President in January 2010. She continued her role as Treasurer and Chief Financial Officer until a successor was appointed in the fourth quarter of 2015. Prior to joining Citizens, she served as Vice President, Assistant Treasurer and Controller for National Western Life Insurance Company from 2002 to 2008. Ms. Osbourn left Citizens, Inc. effective April 2019.

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**Robert M. Mauldin III**

Mr. Mauldin was elected a Director of CICA Life Ltd. on November 14, 2017. He joined Citizens, Inc. in July 2017 as Vice President, Chief Marketing Officer. He had over 25 years of experience in marketing, product management and innovation with Bank of America (from 2006 to 2015) and USI Inc. (from 2015 to 2017), having implemented numerous industry-first initiatives that continue to shape the financial services industry today. Mr. Mauldin brings expertise in project management, change management, process improvement, strategic planning and innovation.

**Jeffery P. Conklin**

Mr. Conklin was appointed a Director of CICA Life Ltd. on July 17, 2018. He joined Citizens, Inc. in May 2017 as Vice President, Chief Accounting Officer, and was appointed Treasurer in September 2017. Mr. Conklin came to Citizens with over 25 years of life insurance and financial reporting experience, having worked at Zurich Life and Jackson National Life prior to joining AIG in 2004, where he served thirteen years in various capacities including Vice President of Financial Reporting, and Vice President of Special Projects. In addition to financial reporting, Mr. Conklin brings Citizens expertise in budgeting, financial analysis and implementation of strategic accounting initiatives.

**David S. Jorgensen**

Mr. Jorgensen was appointed General Manager of CICA Life Ltd. on September 12, 2017. Mr. Jorgensen has more than 30 years of experience in the life insurance industry, particularly in oversight of international insurance operations in his most recent role as Chief Financial Officer and Treasurer of Citizens. Prior to joining the Company, Mr. Jorgensen was SVP and Controller of AIG's Life and Retirement Division, which included the additional role of Chief Financial Officer of AIG Life of Bermuda from 2014 to 2015, where he gained experience in Bermuda Solvency Capital Requirements ("BSCR"), corporate governance, risk assessment and risk management under the BSCR. In his new role, he is responsible for leading the CICA Ltd. operations, expanding the Company's international footprint globally and implementing strategic changes to the Company's current international business model. Mr. Jorgensen spent 12 years with AIG and another combined 12 years with the Zurich Kemper Life Insurance Companies. Mr. Jorgensen began his career with KPMG in the Chicago office audit department.

**Larry D. Welch**

Mr. Welch was elected to serve as the Chief Risk Officer for CICA Ltd. on April 3, 2019. He joined Citizens as Vice President, Customer Service, in May 2003; served as Chief Operating Officer from June 2005 to December 2009; Vice President of Customer Service in January 2010 and Vice President of Compliance since July 2015. He has also served as the Anti-Money Laundering Officer for the Company since June 2006. Prior to joining Citizens, Mr. Welch served as Vice President, Operations at Capital Synergies, Inc., a life insurance brokerage general agency from 1999 to 2003 and has over 31 years of life insurance operations experience.

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**Peter Seely**

Mr. Seely has worked in the Life Insurance and Annuity industry in Bermuda since 2006. During this time, he worked in various roles within the insurance industry such as, Annuity New Business Specialist, Life Insurance Sales Consultant, and Life Underwriting. He has worked for Sun Life Financial and Freisenbruch Meyer Group and is currently the Underwriting Manager at CICA Life. Mr. Seely has experience underwriting high net worth international life cases. In addition, he has experience selling whole life, universal life, Index UL and term life insurance to the Bermuda market. During his time in the Life and Annuity industries he completed several Life Insurance designations from LOMA including his FLMI, ARA, AFSI and ACS designations. He has completed an MBA in finance. Lastly, he completed a Bachelor of Business and Bachelor of Tourism degree prior to moving to Bermuda.

**Laila Imtiaz**

Ms. Imtiaz joined CICA Ltd. in June 2018 as the Finance Manager. Prior to joining CICA Ltd. she worked as the Audit Manager for Deloitte Ltd. Ms. Imtiaz has held several roles in the financial services sector, primarily public accounting and banking. She holds a Bachelor of Commerce (Honors) in Accounting from Carleton University and is qualified as a Chartered Professional Accountant/Chartered Accountant (Ontario, Bermuda). She is also an Associate of the Life Management Institute.

**ii. Remuneration Policy**

The Independent Directors are paid a fixed annual amount for their Board services, which includes attendance at Board meetings. As of December 31, 2018, there were no independent directors. Senior management receive a basic salary, a standard benefits package and an annual cash bonus based on Company and individual performance measures.

**iii. Pension or Early Retirement Schemes for Members, Board and Senior Employees**

The Company provides all employees with pension benefits through a defined contribution pension scheme, administered by a third party. There are no supplementary pension or early retirement schemes.

**iv. Any material transactions with shareholder controllers, persons who exercise significant influence, the Board or senior executives**

Not applicable.

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**b. Fitness and Propriety Requirements**

**i. Fit and Proper process in assessing the Board and Senior Executive**

The Board and the respective Committees of the Board are governed by terms that prescribe the periodic (generally annual) self and peer assessment of each Director's contribution to the Company.

Directors are elected each year at the Annual General Meeting.

Senior employees are subject to regular appraisal.

**ii. Board and Senior Executives professional qualifications, skills and expertise**

Board members and senior employees have appropriate academic and professional qualifications and significant industry experience and are generally considered to be experts in their fields.

**c. Risk Management and Solvency Self-Assessment**

**i. Risk Management processes and procedures to identify, measure, manage and report on Risk Exposures**

The goal of the Company's risk management strategy is to control and to achieve as much as possible a reduction in the Company's risk exposure as a means of minimizing the impact of undesired and/or unexpected events, this to increase the likelihood of achieving the Company's strategic and business objectives.

Consequently, the risk management objectives of the Company are to:

- set out the level of risk acceptable by the Company (Risk Appetite and risk tolerance);
- identify all kind of risks which represent a threat to the achievement of its strategic objectives;
- identify, define and regularly measure key risk indicators enabling an efficient monitoring of risks;
- define and take appropriate actions to reduce the Company's risk exposure;
- ensure the risk management framework implementation in day-to-day business processes;
- regularly review controls and mitigation actions to ensure that they remain relevant and effective.

The key risk categories for which the Company has set up specific control and monitoring mechanisms are:

- Insurance
- Financial (including market)
- Operational

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- Strategic

To achieve these objectives, the Risk Management System of the Company has been clearly documented and specified through risk management policies to each key risk category.

In addition to these risk management policies, additional policies are documented to guide the Company's risk management, governance and internal control processes.

These policies detail all key components of the Company's Risk Management System to ensure that it:

- contains clearly assigned overall risk management responsibilities;
- is defined to be consistent with the strategic objectives of the Company;
- operate across all the activities of the Company;
- is a continuous approach which is referred to in all major decision-taking processes of the Company.

The foundation of CICA Life's risk management approach is based on the following principles of risk management:

- The Board of Directors, the Risk and Compliance Committee and senior management are responsible for the Risk Approach
- Alignment with Business Strategy and Solvency Self-Assessment
- Required Capital as a key risk indicator
- Separation of line management responsibility and independent risk oversight
- Clear definition of the organizational structure and risk process
- Measurement and evaluation of risks
- Consistent and efficient monitoring
- Consistent risk reporting and risk communication
- Integration of risk management into business processes
- Comprehensive and timely documentation

**ii. Description of how the risk management and solvency self-assessment systems are implemented and integrated into the insurer's operations; including strategic planning and organizational and decision-making process**

The Company's risk management systems are used to make assessments of its solvency. All material and quantifiable risks, including market, credit, insurance and operational risks, are calculated on a quarterly basis using the Bermuda Solvency Capital Requirement (BSCR) model.

The Company uses the BSCR model to ensure that adequate capital exists to protect against unexpected, extreme economic losses. It is also used for decision-making and risk management processes with respect to each of the quantifiable risk categories.

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The Company's risk management system is implemented into its day to day operations through its systems, processes and controls.

Regulatory solvency is assessed on a quarterly basis to ensure the Company can meet its statutory requirements.

**iii. Description of the relationship between the solvency self-assessment, solvency needs, and capital and risk management systems**

As a minimum, the Company considers its solvency needs through the BSCR model in the following decisions:

- Setting the business strategy and capital planning as well as the risk strategy including limit systems;
- The underwriting process (covering underwriting, market, credit and business risks) in the analysis and development, as well as in the pricing and approval, of new and existing products and reinsurance treaties;
- The strategic asset allocation (the analysis of the risk bearing capacity with respect to market and credit risk);
- Performance management; and
- Potential merger and acquisition transactions.

The calculation of the risk capital for the Company is managed by the Finance Function.

The Company's Risk Management and Solvency Self-Assessment systems also drive projections of assets, liabilities and solvency requirements.

**iv. Description of the solvency self-assessment approval process including the level of oversight and independent verification by the Board and senior executives**

The calculation of the risk capital for the Company is managed by the Finance Function and communicated to senior management and the Board on a regular basis. The Board is responsible for the prudent management of the Company, ensuring the solvency position is sufficient to protect policyholders and for delivery the strategic plans.

The Risk Function, senior management, Risk and Compliance Committee and Board all review and approve the solvency assessment as part of the year-end submission process to the Bermuda Monetary Authority.

**d. Internal Controls**

**i. Description of the internal control system**

While responsibility for the Company's internal controls rests with the Board, the Board delegates its authority to various committees of the Board and functions throughout the organization. Day to day responsibility for the control environment is delegated to management, who ensure its smooth operation through its governance policies.

**ii. Compliance Function**

Oversight of the compliance function is performed through an outsourcing agreement with Citizens, Inc.

**iii. Internal Audit**

The Company has currently outsourced its Internal Audit function to PricewaterhouseCoopers in the U.S. The Company will engage a local Bermuda firm in 2019 for the Company’s internal audit work in Bermuda. The Internal audit function assists the Board in protecting the Company’s assets, reputation and sustainability by independently and objectively evaluating the effectiveness of internal controls, risk management and governance processes. An annual audit plan is developed using a risk-based methodology. The annual audit plan and any subsequent changes have to be approved by the Board before taking effect.

**iv. Actuarial Function**

The Company has outsourced its Actuarial function to Citizens, Inc. It assists the Company in reserving, financial reporting and review of experience and valuation bases. Technical provisions, risk margin calculations and the Approved Actuary are outsourced to KPMG Ireland and the Citizens Chief Actuary and General Manager review and approve KPMG Ireland methods and monitor their performance. The Actuarial Function works with the Approved Actuary of the Company.

**v. Outsourcing**

**i. Outsourcing Policy and key functions that have been outsourced**

The Company uses service and administration outsourcing as a means of reducing costs, accessing specialist expertise, and providing greater focus on critical business functions in Bermuda. The Company uses both intergroup and third-party outsourcing. The intergroup outsourcing is through a service agreement with Citizens, Inc. and third-party outsourcing is conducted with the vendors listed below:

<b>Activity</b>	<b>Service Provider</b>	<b>Scope of Activity</b>
<b><i>Third party:</i></b>		
Investment Accounting	Clearwater	Full scale production and service for the Citizens Group investment accounting function
Investment Custodian/Pricing	Raymond James	Investment custodian services including investment pricing

Asset Manager	Wellington	Investment Management Services
Insurance Manager	AON	Insurance manager and critical day 1 functions
Corporate Secretary Services	Walkers	Act as Assistant Corporate Secretary of CICA Life
Approved Actuary	KPMG Ireland	BMA approved actuary work and opinions

**ii. Material Intra-Group Outsourcing**

The Company outsources 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 to Citizens, Inc.

**e. Any other material information**

None.

**5. RISK PROFILE**

**a. Material Risks the Insurer is exposed to during the Reporting Period**

The Company is exposed to the following risks:

- Insurance Risk – the adverse impact arising from fluctuations in the timing, frequency and severity of insured events, relative to the expectations of the Company at the time of underwriting or subsequent reassessment at the time of reserving.
- Interest Rate and Policyholder Behaviour Risk – The adverse impact arising from uncertainty around policyholder behaviour and assumptions made, including interest rates, rates of surrender and income utilization.
- Credit Risk – the adverse impact arising from the failure of counterparties to make full and timely payments on their financial obligations or from the change in the market value of assets due to deterioration of the counterparty’s creditworthiness.

The Company measures these risks using a combination of proprietary and third-party models, where quantifiable.

**b. Risk Mitigation in the Organization**

The Company has an appetite for the insurance, market and credit risks that are written. Risks are managed through the risk management system.

**c. Material Concentration Risk**

The most material risk is Fixed Income Investment risk, and this risk is managed through the processes discussed in previous sections. In addition, the Company has policies to limit concentrations of investment risk in relation to counterparties, credit quality and mismatches in duration between its assets and liabilities.

**d. Investment in assets in accordance with the Prudent Person Principles of the Code of Conduct**

Investments are managed within strict investment guidelines that ensure that assets are invested in accordance with the prudent person principle defined in Paragraph 5.1.2 of the Insurance Code of Conduct. The purpose of the guidelines is (i) to establish the investment objectives and performance standards of the portfolio; (ii) to ensure that the respective portfolios are structured to meet the objectives of the Company and its cedents; and (iii) to prevent exposure to excessive risk aggregation.

**e. Stress testing and sensitivity analysis to assess Material Risks**

The Company performs annual stress and scenario testing to ensure that regulatory requirements can be met. The Company uses deterministic analysis and more complex stochastic techniques to model its key risks. The tests consider the immediate impact on regulatory requirements; and also, longer term impacts on dividend paying ability. The stress tests highlighted the resilience of the Company. The Company continued to meet regulatory capital requirements throughout most of the the stress tests, except for two highly adverse scenarios identified. The Company can utilize certain tactical activities to deal with these adverse scenarios in addition to seeking out a capital injection from the parent entity. The Company is committed to actively managing its capital position, which will be reviewed with Senior Management and the Board on a quarterly basis. Any capital action necessary to be taken on behalf of CICA Ltd. will be approved by the CICA Ltd. Board.

## **6. SOLVENCY VALUATION**

**a. Valuation bases, assumptions, and methods to derive the value of each asset class**

The Company has used the valuation principles outlined by the BMA's "Guidance note for Statutory Reporting Regime" dated November 30, 2016 for the reporting period's regulatory filing. The economic valuation principles are to measure assets and liabilities on a fair value basis. All assets are held at fair market value.

**b. Valuation bases, assumptions and methods to derive the value of technical provisions**

The Company has considered valuation principles outlined by the BMA's "Guidance Note for Statutory Reporting Regime" when determining insurance technical provisions. The Company believes that the techniques it uses in developing the insurance technical provisions are consistent with BMA guidance.

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The best estimate cash flows are discounted using a “Standard” yield curve prescribed by the BMA. The Standard yield curve includes an adjustment for illiquidity risk which may be implicit in the underlying assets which is permitted by the BMA and published on their website. This approach is designed to capture both the sensitivity to interest rates and the degree to which assets and liabilities are cash flow matched. It consists of a base scenario using the actual portfolio of assets supporting the business (adjusted for expected default costs) and a range of interest rate stresses to determine the amount by which the market yield should be reduced to reflect interest rate risk and asset liability mismatching.

As required by the BMA, the risk margin is calculated using a cost of capital approach, as a cost of capital rate of 6% of certain projected capital figures and discounted using a prescribed risk-free discount rate curve (which is lower than the Standard yield curve). Market risk related capital charges are excluded under the requirements from the BMA.

**c. Description of recoverables from reinsurance contracts**

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 these reinsurance treaties.

Our amounts recoverable from reinsurers of \$2.6 million 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 of our reinsurers range from A+ (Superior) to A (Excellent).

**d. Valuation bases, assumptions and methods to derive the value of other liabilities**

Similar to the valuation principles for assets, the Company’s liabilities follow the valuation principles outlined by the BMA’s “Guidance Note for Statutory Reporting Regime” which values liabilities on a fair value basis.

## **7. CAPITAL MANAGEMENT**

**a. Eligible Capital**

**i. Capital Management Policy and process for capital needs, how capital is managed and material changes during the Reporting Period**

The capital management objective of the Company is to ensure strong capital adequacy for CICA Ltd., on both regulatory capital and internal capital measures within the Company risk appetites.

The Company’s capital planning cycle begins with the annual financial plan, whereby regulatory and statutory capital plans are submitted as part of the annual financial plans and the CISSA process. Subsequently, the capital positions are reported and aggregated on the quarterly basis, actual and forecasts and are

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re-estimated given new business and other information. Dividend and capital injection plans are included in the annual plan and are adjusted to the new business developments and information during the year. Capital management is integrated into business decision making as part of the annual business planning, quarterly financial projections, product development, project assessment, and management performance metrics. Surplus capital can be paid out in dividends, subject to certain parameters.

There have been no material changes in the approach in the reporting period.

**ii. Eligible Capital categorized by tiers in accordance with the Eligible Capital Rule**

To enable the BMA to better assess the quality of the insurer's capital resources, a Class E insurer is required to disclose the makeup of its capital in accordance with the '3-tiered capital system.' Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 Capital or Tier 3 Capital.

As of December 31, 2018, all of the Company's eligible capital was categorized as Tier 1 Capital.

**iii. Eligible Capital categorized by tiers in accordance with the Eligible Capital Rules used to meet ECR and MSM requirements of the Act**

As per the Eligible Capital Rules 2011 under the Bermuda Insurance Act 1978, Class E insurers are required to have Tier 1 Capital equal to or greater than 50% of the value of its Enhanced Capital Ratio ("ECR") and Tier 3 Capital of not more than 17.65% of the aggregate of its Tier 1 Capital and Tier 2 Capital.

As of December 31, 2018, all of the eligible capital used by CICA Ltd. to meet the Minimum Solvency Margin ("MSM") and ECR was Tier 1 Capital.

**iv. Confirmation of Eligible Capital that is subject to transitional arrangements**

Not applicable.

**v. Identification of any factors affecting encumbrances on the availability and transferability of capital to meet the ECR**

Not applicable.

**vi. Identification of ancillary capital instruments approved by the Authority**

Not applicable.

**vii. Identification of differences in shareholder's equity as stated in the Financial Statements versus the available capital and surplus**

Please see the table in section 8b(i) below - *ECR and MSM requirements at the end of the Reporting Period.*

**b. Regulatory Capital Requirements**

**i. ECR and MSM requirements at the end of the Reporting Period**

<i>(USD 000's)</i>	Year ended December 31, 2018		
	GAAP	SFS	EBS
Actual Capital and Surplus	\$ 34,283	\$ 34,283	\$ 131,389
Required Capital and Surplus (1)	N/A	17,657	61,493
BSCR Ratio (2)	N/A	N/A	214%
Net Income (3)	\$ 9,064	\$ 9,064	N/A

- (1) Represents the MSM for the SFS and the ECR for EBS. There is not a required capital and surplus amount for the GAAP financial statements.
- (2) BSCR ratio for the current binding regulatory solvency constraint of EBS is shown.
- (3) EBS comprises of only a balance sheet.

**ii. Identification of any non-compliance with the MSM and the ECR**

The Company was compliant with the MSM and ECR requirement at the end of the reporting period.

**iii. A description of the amount and circumstances surrounding the non-compliance, the remedial measures and their effectiveness**

Not Applicable.

**iv. Where the non-compliance is not resolved, a description of the amount of the non-compliance**

Not Applicable.

**c. Approved Internal Capital Model**

Not applicable.

**8. SUBSEQUENT EVENTS**

Not applicable.