



CICA Life Ltd.

Financial Condition Report

For the years ending December 31, 2019 and 2018

Table of Contents

1. EXECUTIVE SUMMARY	2
2. DECLARATION	2
3. BUSINESS AND PERFORMANCE	2
4. GOVERNANCE STRUCTURE	7
5. RISK PROFILE.....	15
6. SOLVENCY VALUATION	16
7. CAPITAL MANAGEMENT	17
8. SUBSEQUENT EVENTS	20

1. EXECUTIVE SUMMARY

CICA Life Ltd. (the “Company” or “CICA Ltd.”) is wholly owned subsidiary of Citizens, Inc. (“Citizens” or the “Parent”), a publicly listed company incorporated under the laws of the 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.

On July 1, 2018, Citizens effected a novation 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 issues U.S. Dollar-denominated endowment contracts internationally, which are principally accumulation contracts that incorporate an element of life insurance protection and ordinary whole life insurance in U.S. Dollar-denominated amounts sold to foreign residents. These contracts are designed to provide a fixed amount of insurance coverage over the life of the insured and may utilize rider benefits to provide additional coverage and annuity benefits to enhance accumulations. For the majority of our business, we retain the first \$100 thousand of risk on any one life, reinsuring the remainder of the risk.

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 report outlines the financial condition of CICA Ltd. as at December 31, 2019 and 2018. The FCR contains qualitative and quantitative information of CICA Ltd.’s business and performance, governance structure, risk profile, solvency valuation and capital management.

Unless otherwise noted, the figures in this FCR are based upon Generally Accepted Accounting Principles in the United States of America (“GAAP”).

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, 2019.



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

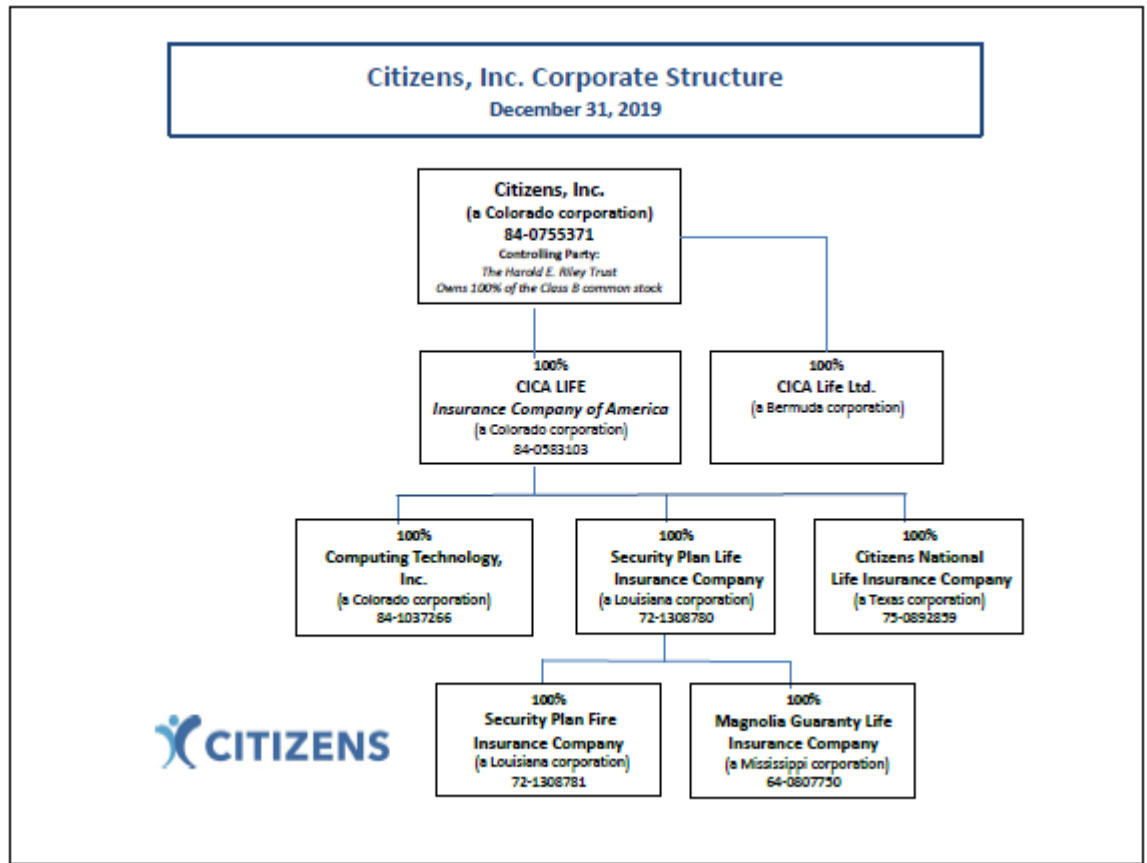
c. Approved Auditor

- 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 and Net Premium Written by Business Segment for the Reporting Period

Line of business	12.31.19		12.31.18	
	Gross Premium Written USD 000's	Net Premium Written USD 000's	Gross Premium Written USD 000's	Net Premium Written USD 000's
Mortality	\$ 135,886	\$ 132,908	\$ 138,319	\$ 135,544
Total	\$ 135,886	\$ 132,908	\$ 138,319	\$ 135,544

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

	12.31.19	12.31.18
Geographical Region	Gross Premium Written USD 000's	Gross Premium Written USD 000's
Colombia	\$ 26,974	\$ 27,488
Venezuela	22,525	23,758
Taiwan	19,552	18,874
Ecuador	14,308	14,532
Argentina	10,147	10,147
Other foreign countries	42,380	43,520
Total	\$ 135,886	\$ 138,319

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

i. Performance

The Company invests primarily in fixed maturity securities, which totaled 90.8% of total cash, cash equivalents and investments at December 31, 2019.

Carrying Value as of December 31, (in thousands, except for %)	2019	%	2018	%
Cash, Cash Equivalents and Investments:				
Fixed maturities available for sale	\$ 889,061	90.8%	\$ 780,047	89.8%
Policy loans	71,017	7.3%	69,983	8.1%
Cash and cash equivalents	18,846	1.9%	18,402	2.1%
Total cash, cash equivalents and investments	\$ 978,924	100.0%	\$ 868,432	100.0%

Major categories of net investment income are summarized as follows:

	12.31.19 USD 000's	12.31.18 USD 000's
Investment income:		
Fixed maturities	\$ 34,313	\$ 30,491
Policy loans	5,635	4,994
Short-term investments	-	115
Other	110	136
Total investment income	40,058	35,736
Investment expenses	(1,042)	(1,116)
Net investment income	\$ 39,016	\$ 34,620

Realized investment gains on fixed maturities is as follows:

	12.31.19 USD 000's	12.31.18 USD 000's
Realized investment gains (losses):		
Sales, calls and maturities	\$ 656	\$ (1,096)
Other-than-temporary impairments	-	(361)
Net realized investment gains (losses)	\$ 656	\$ (1,457)

Material Income & Expenses for the Reporting Period

<i>(USD 000's)</i>	12.31.19	12.31.18
Revenues:		
Premiums	\$ 132,908	\$ 135,544
Net investment income	39,016	34,620
Realized investment gains (losses), net	656	(1,457)
Other income	1,247	1,619
Total revenue	173,827	170,326
Benefits and expenses:		
Insurance benefits paid or provided:		
Claims and surrenders	65,762	47,194
Increase in future policy benefit reserves	38,345	44,077
Policyholders' dividends	18,143	19,518
Total insurance benefits paid or provided	122,250	110,789
Commissions	19,360	18,416
Other general expenses	18,334	19,066
Capitalization of deferred policy acquisition costs	(17,361)	(17,065)
Amortization of deferred policy acquisition costs	23,595	30,056
Total benefits and expenses	166,178	161,262
Income before income tax expense	\$ 7,649	\$ 9,064

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
Jeffery P. Conklin	Director
Elsbeth Ann Gray	Director
Senior Executives	Position
David S. Jorgensen	General Manager
Larry D. Welch	Chief Risk Officer
Peter Seely	Operations Manager

Geoffrey M. Kolander

Mr. Kolander was elected Chairman of the Board of CICA 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.

Jeffery P. Conklin

Mr. Conklin was appointed a Director of the Board of CICA Ltd. on July 17, 2018. Mr. Conklin has served as Vice President, Chief Financial Officer and Treasurer since September 20, 2019. Mr. Conklin had previously served as the Company's interim Chief Financial Officer and Chief Investment Officer since March 2019, in addition to his existing roles as Vice President, Chief Accounting Officer and Treasurer of the Company since September 2017. Mr. Conklin 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.

Elsbeth Ann Gray

Ms. Gray has served as a resident Director of the Board of CICA Ltd. since her appointment on June 1, 2019. Ms. Gray has over 30 years of executive experience gained in the international insurance and reinsurance industries in London, New York, Houston and Bermuda. Ms. Gray's accomplishments include building a start-up; acknowledged business development; experienced board-level and business leader participation and interaction; strategic planning; negotiating and mediation skills, developing and motivating successful teams; in-depth knowledge of contract law as well as extensive contacts and relationships throughout the international insurance industry, particularly in the marine and energy arena, and in the local community.

David S. Jorgensen

Mr. Jorgensen has served as General Manager of CICA Ltd. since September 12, 2017. Mr. Jorgensen has over 30 years of experience in the life insurance industry, particularly in oversight of international insurance operations in his previous role as Chief Financial Officer and Treasurer of Citizens. Prior to joining the Company in November 2015, 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 BMA. 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 30 years of life insurance operations experience.

Peter Seely

Mr. Seely has served as Operations Manager of CICA Ltd. since January 2020 and previously served as Underwriting Manager since May 2018. 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 Underwriter. He has worked for Sun Life Financial and Freisenbruch Meyer Group. 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.

ii. Remuneration Policy

The Independent Director is paid a fixed annual amount for her Board services, which includes attendance at Board meetings. The CICA Ltd. Board members, which are also officers of Citizens, do not receive compensation for their CICA Ltd. Board services. Senior management receives a base 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.

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 performance appraisals.

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

Board members and senior management 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 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 to the Company (risk Appetite and risk tolerance);
- identify all risks which represent a threat to the achievement of Company 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
- Strategic

To achieve these objectives, the Risk Management System of the Company has been clearly documented and specified through risk management policies for 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 Requirements (“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.

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 of 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 ("PWC") in the U.S. The Company engaged PWC in 2019 to perform a limited scope operational audit related to the underwriting, claims and the financial reporting process. The work concluded with a written internal audit report from PWC with no significant findings. The report did list several minor findings, which the Company immediately remedied.

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 must 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 the General Manager monitored their performance and review and approve KPMG Ireland methods and annual actuarial reports. The Actuarial Function works closely 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:

Activity	Service Provider	Scope of Activity
<i>Third party:</i>		
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 and Principal Representative	AON	Insurance Manager and Principal Representative
Corporate Secretary Services	Walkers	Act as Assistant Corporate Secretary of CICA Ltd.
Approved Actuary	KPMG Ireland	BMA approved actuarial work and opinion

ii. Material Intra-Group Outsourcing

The Company outsources underwriting management, 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 Risk – The adverse impact of fluctuations in interest rates on the Company's investment and liability portfolios.
- Policyholder Behavior Risk – The adverse impact arising from uncertainty around policyholder behavior and assumptions made, including interest rates, rates of surrender and policyholder election options.
- 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 taken. Risks are managed through the risk management system, but ultimately risks are monitored and reported by the General Manager, the Chief Risk Officer and the Risk and Compliance Committee. The Risk and Compliance Committee reviews the enterprise risk management framework and ensures the controls in place for managing the risk exposures are operating as intended.

c. Material Concentration Risk

The most material risk is the Long-Term Interest and Liquidity Risk, and this risk is managed through the processes discussed in previous sections. In addition, the Asset Liability Management Committee monitors this risk and the 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

portfolio is structured to meet the objectives of the Company; 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, 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 a majority of the the stress tests, except for five 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. The Company is committed to actively managing its capital position, which is reviewed with the Finance and Audit Committee 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". 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.

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. A cost of capital rate of 6% is used for 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 2019 and 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 \$2.8 million represent receivables from and reserves and claims 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 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 and there were no contributions to, or dividends distributed from, the Company in 2019.

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, 2019, and 2018, all 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, 2019, and 2018, all 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, 2019		
	GAAP	SFS	EBS
Actual Capital and Surplus	\$ 94,322	\$ 94,322	\$ 75,091
Required Capital and Surplus (1)	N/A	\$ 19,218	\$ 40,292
BSCR Ratio (2)	N/A	N/A	186%
Net Income (3)	\$ 7,649	\$ 7,649	N/A

<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. Note for 2019, the BSCR ratio is based on the transitional methodology.
- (3) EBS comprises 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

The world is currently in the midst of a global health pandemic caused by COVID-19. Due to the seriousness of the pandemic, governments and non-governmental organizations have taken significant steps to combat the spread of the virus, which has included severely restricting travel, requiring businesses' employees to work from home, closing some businesses and non-essential services, furloughing or terminating workers, and other measures. These actions, on top of the global health pandemic, has had and is expected to continue to have a profound impact on the global economy and financial markets. Given the uncertainty surrounding the pandemic and the impact of actions taken by governments and non-government organizations, it is difficult to assess the financial impact on the Company.

Risks to the Company stemming from the pandemic include the potential effect to its investment performance, premium receipts and claims and claim liabilities. The Company continues to monitor the situation and cannot estimate the financial impact of the pandemic at this time.