

Introduction

A Report of the Approved Actuary ("Report of the Approved Actuary" or the "Report") has been prepared such that the Supreme Court of Bermuda ("Bermuda Court"), the Bermuda Monetary Authority ("BMA"), the Office of the Insurance Commissioner of Puerto Rico ("OIC"), the policyholders and other affected parties may properly assess the impact of the Proposed Transfer of insurance business (the "Scheme of Transfer"). The Scheme of Transfer formally deals with the Proposed Transfer of the policyholder book of business of CICA Life, Ltd. ("CICA Bermuda") to CICA Life, A.I., a Puerto Rican international insurance company ("CICA PR").

CICA Bermuda is a wholly owned subsidiary of Citizens, Inc. ("Citizens"), which was established in Bermuda at 27 February 2018 as a Long Term Class E licence holder. CICA Bermuda was closed to new business as of 31 December 2022, with all Citizens' new international business as of such date to be written through CICA PR. I note that this has occurred regardless of the Proposed Transfer.

Citizens conducts its operations as an insurance holding company with an emphasis on ordinary whole life insurance and endowment products in markets where it believes it can achieve distinct advantages over its competitors. Citizens has successfully operated this business model in a number of markets, both in the U.S. and in its overseas markets since its foundation. As of June 30th, 2022, Citizens has total stockholders' equity position of \$76m.

CICA PR is licenced by the Office of the Insurance Commissioner of Puerto Rico ("OIC") as a Class 5 international insurer as of 28 September 2022. CICA PR has requested a change of ownership modification with the OIC. The modification will consist in the replacement of CICA Bermuda, as direct parent company of CICA PR. The new direct parent company will be NEXO Global Services, LLC, a recently created Puerto Rico limited liability company ("NEXO"). The Company are waiting on formal approval from the OIC. It is my understanding that the change of ownership modification will be resolved ahead of the Effective Date.

The term "Effective Date", as used in the Report, refers to the date at which, if the Scheme of Transfer proceeds, CICA Bermuda's insurance liabilities and assets will be transferred to CICA PR, such that the policyholder liabilities are extinguished in CICA Bermuda. This date also reflects the commencement of liability obligations to the aforementioned policyholders by CICA PR. The assumed Effective Date for the Scheme of Transfer underpinning the analysis in the Report is 31 March 2023, which is not expected to be achievable at the time of writing of the Report. I note that a short delay in terms of the timing of the Proposed Transfer, e.g. up to six months, is not expected to materially change the findings or the conclusions drawn within the Report given the relatively small levels of business expected to be written in CICA PR compared to the business held on CICA Bermuda's balance sheet during that time.

This summary report ("Summary Report of the Approved Actuary" or "Summary Report") describes the Scheme of Transfer, considers the potential impacts and benefits on all affected policyholders (of CICA Bermuda and CICA PR – collectively referred to as the "Scheme Entities"), including the security of their policies and the levels of service that policyholders should expect to receive after the Proposed Transfer and provides a summary of the Report of the Approved Actuary. The full Report of the Approved Actuary is available for download from Citizens' website, as well as an address in Bermuda at Kennedys, CICA Bermuda's counsel.

The proposed Scheme of Transfer must be approved by the Bermuda Court. In addition, the BMA will be consulted. The terms covering the proposed Scheme of Transfer are set out in the Scheme of Transfer document that will be presented to the Bermuda Court. It is anticipated that the Scheme of Transfer will be presented to the Court under Section 25 of the Bermuda Insurance Act 1978 ("Insurance Act") in April 2023.

About the Approved Actuary

I, Brendan McCarthy, am a Managing Director in KPMG Ireland ("KPMG"), a global consultancy providing audit, tax and advisory services. I am a Fellow of the Society of actuaries in Ireland with more than 20 years of experience working in the insurance industry. My full biography is included in the Report.

Use and Limitations

This Summary Report of the Approved Actuary covers the main conclusions of the Report of the Approved Actuary. However, this Summary Report of the Approved Actuary must be considered in conjunction with the Report of the Approved Actuary and reliance must not be placed solely on this Summary Report of the Approved Actuary. Both this Summary Report of the Approved Actuary and the Report of the Approved Actuary must be considered in their entirety as individual sections, if considered in isolation, may be misleading. This Summary Report of the Approved Actuary is subject to the same limitations on its use as are set out in the Report of the Approved Actuary. In the event of any real or perceived conflict between this Summary Report of the Approved Actuary and the Report of the Approved Actuary, the latter contains the definitive description.

A summary of the Report of the Approved Actuary is set out below.

Background to CICA Bermuda

CICA Bermuda is a direct subsidiary of Citizens and was capitalized by Citizens. Business was transferred by way of an assumption reinsurance agreement from CICA America (Citizens' largest insurance company in the US) to CICA Bermuda in 2018. The international life insurance business in CICA Bermuda was the book of business included in the assumption reinsurance agreement.

CICA Bermuda's focus is on direct sales of US Dollar-denominated ordinary whole life insurance and endowment policies to residents in Latin America and the Pacific Rim. Prior to the formation and novation of the international block of business to CICA Bermuda, CICA Life America successfully participated in the foreign marketplace since 1975 in direct marketing to individuals residing in its target markets. Due to CICA America's historical and proven success selling directly to residents of foreign countries, CICA Bermuda operates in a similar fashion.

CICA Bermuda sells its policies to residents of foreign countries using foreign independent marketing firms and independent consultants. These independent marketing firms and consultants specialize in marketing life insurance products and generally have several years of insurance marketing experience. CICA Bermuda maintains contracts with the independent marketing firms pursuant to which the marketing firms will provide recruitment, training and supervision of their managers and associates in the service and placement of CICA Bermuda's products; however, all associates of these firms will also contract directly with CICA Bermuda as independent contractors and receive their compensation directly from CICA Bermuda.

Citizens novated its entire block of international policies to Bermuda on 1 July 2018 and began writing new business out of CICA Bermuda at that time. However, Citizens had been operating in this international market for 40 years. CICA Bermuda's parent, Citizens Inc. (a SEC registrant), is also subject to compliance with the Sarbanes-Oxley Act requiring review and testing of operational risks and internal controls each year and goes through an external audit yearly.

Background to CICA PR

CICA PR is a newly formed entity, which was registered on 28 September 2022 as a Class 5 Authority insurer and therefore does not have historical operations. Prior to January 1, 2023, no business was written and CICA PR commenced writing new business from 1 January 2023.

CICA PR is managed primarily by Citizens' U.S. based management team. As was the case for CICA Bermuda, CICA PR will issue traditional participating and non-participating whole life policies including traditional whole life and endowment contracts. CICA PR has also written to the OIC on 6 October 2022 to notify the OIC of their intention to underwrite critical illness insurance within the original Class 5 authority granted to the insurer.

Motivation for the Scheme

In 2018, Citizens who is the ultimate parent of CICA PR, caused CICA America to novate insurance policies held by non-U.S. policyholders to its newly formed Bermuda insurance company, CICA Bermuda, in order to mitigate tax withholding issues that arose under §7702 of the U.S. Internal Revenue Code. After four years of business in Bermuda, and with feedback from their policyholders and agents, CICA Bermuda engaged in a strategic review of their business, including discussions with their independent agents, that identified several unanticipated challenges to their policyholders, such as:

- Their policyholders purchase the policies for the safety of the U.S. dollar. Although the products are still U.S. dollar denominated, they have concerns about purchasing or owning a life insurance product outside of the US, or a US territory.
- The vast majority of their policyholders speak Spanish and desire to do business in a Spanish-speaking country, which offers more synergies for value-added services.
- Operating in Bermuda has higher administrative costs than other solutions, including costs related to Common Reporting Standards ("CRS") compliance) and is putting financial pressure on the company, which ultimately impacts their policyholders.

After forming CICA PR, Citizens determined that it would be best for the company and its policyholders to relocate its international business to Puerto Rico to better align with policyholder expectations and position the company for growth. The purposes of forming CICA PR are:

- To give the non-U.S. policyholders the ability to purchase policies in a U.S. territory.
- To fit in with the largely Latin American demographic of the Citizens group international business - Spanish speaking country.
- The policies issued will not be subject to §7702 or any equivalent statute.
- Participates in FATCA tax reporting so easier for U.S.-based company to administer.

Details of the Scheme of Transfer

In Bermuda, the Proposed Transfer of long-term business from one entity to another must be approved by the Bermuda Court. As part of the application to the Bermuda Court for an order to sanction a transfer of long-term insurance business, the application must be accompanied by a report on the terms of the Scheme by an independent actuary, called the Approved Actuary, in conformance to Section 25 of the Insurance Act.

The Scheme of Transfer will be executed by transferring all of CICA Bermuda's policies, liabilities, and assets backing the liabilities to CICA PR. The regulatory minimum paid up share capital of \$250k is expected to remain in CICA Bermuda to support the minimum capital requirements until CICA Bermuda has surrendered its license to the BMA, after which it will declare a dividend to its parent company, Citizens, subsequent to which it may seek to voluntarily liquidate.

As consideration for the acceptance of transfer of liabilities under the policies comprising the Transferring Business, CICA Bermuda shall pay to CICA PR its Transferring Assets (i.e. all assets comprised in or relating to the Transferring Business minus assets representing the Paid Up Share Capital).

Reflecting the movement in insurance liabilities, post-transfer it is expected that CICA Bermuda will no longer have an insurance license and may ultimately be wound up and dissolved.

Policyholder impacts

In terms of policyholder impacts, I note:

General

- The Scheme of Transfer is expected to involve the transfer of all CICA Bermuda's policyholder liabilities and assets to CICA PR, save the regulatory minimum paid up share capital of \$250k is expected to remain in CICA Bermuda to support the minimum paid up share capital requirements until CICA Bermuda has surrendered its license to the BMA.
- CICA PR is a wholly owned subsidiary of CICA Bermuda. CICA PR has requested a change of ownership modification with the OIC. The modification will consist in the replacement of CICA Bermuda, as direct parent company of CICA PR. The new direct parent company will be NEXO Global Services. The Company are waiting on formal approval from the OIC. It is my understanding that the change of ownership modification will be resolved ahead of the Effective Date.

- As consideration for the acceptance of transfer of liabilities under the policies comprising the transfer of the long-term business under the Transfer (the “Transferring Business”), CICA Bermuda shall pay to CICA PR its “Transferring Assets” (i.e. all assets comprised in or relating to the Transferring Business minus assets representing the Paid Up Share Capital) for such liabilities as at the Effective Date. For the purposes of the Report Transferring Business and Transferring Assets are as defined in the Scheme of Transfer.

Financial Strength Assessment

- I have considered the relative capital strength of CICA Bermuda and CICA PR Life both pre-and post-the Proposed Transfer.
 - I have considered the BMA regulatory reporting basis. The latest financial information provided to me for CICA Bermuda related to 30 September 2022. These are the most recent financial figures available and are still deemed appropriate.
 - I have considered the OIC regulatory reporting basis. I have based my financial analysis on projected financial information at the Effective Date for the Scheme Entities before and after the Proposed Transfer.
- The current reserving basis for CICA Bermuda is calculated on a best-estimate basis (Gross Premium Valuation method), while the reserves will be calculated under US GAAP post-transfer. For regulatory purposes, a number of adjustments are made to calculate the Statutory Capital and Surplus used for assessing compliance with the OIC regulatory capital requirements.
- As required by the Laws and Regulations of Puerto Rico that are implemented by the OIC, CICA PR, an international insurer, will maintain, at all times, sufficient liquid assets, to satisfy both capital and surplus as well as the premium and liquidity ratios. CICA PR is classified as Class 5 Authority Insurer; therefore the thresholds for capital requirements are \$750,000 of capital and surplus with minimum capital of \$750,000 (the “Required PR Capital”). In addition, as a Class 5 insurer, CICA PR is required to maintain a premium to surplus ratio (defined as annualised premium over statutory surplus) of 7 to 1 or less (the “Required PR Surplus Ratio”). I have been provided with a copy of Certificate of Authority of CICA PR from the OIC, dated 28 September 2022. I note the Certificate of Authority does not set out the specifics of the premium ratio for CICA PR, which can differ by insurer as it is based on the approved business plan (Operational Plan submitted along with the authorisation application). I understand the Certificate of Authority issued by the OIC to CICA PR was approved based on the original business plan submitted to the OIC, and I have relied on that when forming my conclusions.
- In reaching my conclusions, I have evaluated the impact that the change in regulatory regimes will have on (i) the level of capital and surplus, and (ii) the level of surplus assets.
 - For CICA Bermuda, the excess level of surplus assets over the regulatory requirements changes considerably as a result of the Proposed Transfer due to the different regulatory regimes. The expected amount of surplus assets in excess of the Required PR Surplus Ratio expected in CICA PR immediately after the Proposed Transfer is relatively small when compared to the Economic Balance Sheet (“EBS”) surplus that exists in respect of BMA regulatory reporting. This is a function of a number of differences relating to both the accounting treatment of the assets and liabilities (which results in a more prudent view of the balance sheet) and the level of total statutory capital and surplus required to be held (which are lower in Puerto Rico) and not a function of a lesser amount of assets or greater liabilities after the Proposed Transfer.
 - At 30 June 2022, CICA Bermuda had surplus assets of \$81.5m in respect of regulatory requirements of \$35.4m for the purposes of assessing the regulatory balance sheet in respect of BMA regulatory reporting regime. Immediately before the Effective Date, the level of surplus assets under the OIC regulatory regime is expected to reduce, although so will the capital requirements. So, while the perceived strength of the business has reduced this is due to the different regulatory regimes and therefore more conservative treatment of the balance sheet, which is unchanged in terms of asset composition, offset by reduced capital requirements.
- I have also evaluated how the sensitivity to market movements of the current and expected future exposure to limited partnerships and equity investments directly impacts on the capital and surplus position under the different regulatory regime in Puerto Rico. While I note that CICA PR would be able to absorb a shock to their value up to a certain point (due to loss absorbing mechanism in the reserves calculated for regulatory purposes),

the economic backdrop is currently quite volatile, which could significantly impact on the value of these investments in a short time period, which in turn could result in a regulatory breach under the OIC regulatory regime. I note, however, that the sensitivities and values considered are non-cash items, so this evaluation is not an evaluation on the cash position of CICA Bermuda or Citizens and do not impact Citizens' ability to inject capital into CICA PR if there was a possibility of a regulatory breach. With respect to these sensitivities, I note the following:

- I consider the sensitivities tested in the Report to capture the material risk exposures to which CICA PR will be exposed to over the planning horizon post transfer. I consider that the sensitivities were severe enough to provide a reasonable understanding of the risks to which CICA PR will be exposed to post transfer.
- I also note the potential measures that CICA PR could take in the event of a breach of Required PR Surplus Ratio, which note that Citizens will provide needed capital to CICA PR to ensure the Required PR Surplus Ratio is maintained.
- I note that in April 2021, CICA Bermuda implemented a \$10 million Keep Well Agreement with Citizens based upon discussions with the BMA. The purpose of the Keep Well Agreement is to provide the option of an additional capital injection to support CICA Bermuda's capital position given the interest rate volatility in their EBS and BSCR ratio. I note that a new Keep Well Agreement (the "PR Keep Well Agreement") has been entered into between Citizens and CICA PR, with the same terms and conditions as the existing Keep Well Agreement, updated to be consistent with Puerto Rico law, and includes provisions relating to the Required PR Surplus Ratio and sensitivity exposure to the limited partnership investments. I have also been provided with a legal opinion on the enforceability of the PR Keep Well Agreement from CICA PR's Puerto Rico legal advisors, Rexach & Picó and Citizens' Chief Legal Officer, Sheryl Kinlaw, which consider the enforceability of the PR Keep Well Agreement from a Puerto Rico and Colorado legal perspective, respectively.
- Given the exposure to the limited partnership investments, the management of Citizens and the Scheme Entities have done the following, which mitigate the exposure to the sensitivity to market movements of the limited partnership investments:
 - The Scheme of Transfer requires CICA PR to hold target capital and surplus sufficient to absorb a 5% fall in the market value of the underlying corporate bond portfolio and a 40% fall in the market value of the underlying common and preferred stock portfolios underlying the Limited Partnership investments. The target capital and surplus can be reduced to allow for the financial impact of the PR Keep Well Agreement.
 - Citizens has entered into the PR Keep Well Agreement, which requires that it is kept in place until such time as CICA PR has sufficient capital and surplus to absorb a 5% fall in the sum total of the market value and unfunded commitment calls of the corporate bond portfolio and a 40% fall in sum total of the market value and unfunded commitment calls of the common and preferred stock portfolios underlying its Limited Partnership investments. The Scheme of Transfer also references the PR Keep Well Agreement as an additional requirement to keep it in place as described above.
 - The Board of Administrators of NEXO has resolved to contribute \$3m in additional capital to CICA PR ahead of the Effective Date to reduce reliance on the PR Keep Well Agreement in the first instance. Since this capital injection would not be required if the Proposed Transfer did not occur, the proposed timing of the capital injection appears reasonable.
- I note that as a result of these activities, that the capital projections and sensitivities prepared suggest that CICA PR would have sufficient assets to meet their liabilities and policyholder commitments should the sensitivities tested materialise.
- I also note that should the level of limited partnership investments be in line with expectation, then the level of capital and surplus should be sufficient without the need for additional capital supports, save the \$3m capital injection as noted above.
- I have also considered Citizens' ability to provide the necessary capital support if required. I note:
 - The Total Stockholders' Equity for Citizens and consolidated subsidiaries at 31 December 2022 are heavily distorted by the accumulated other comprehensive income (loss) ("AOCI"), which is driven by the unrealized loss positions on the subsidiary balance sheets resulting from the rapidly rising interest rates and stock market

volatility during 2022. Because of Citizens' asset and liability duration matching policy, as a life insurer, the vast majority of their total investments are invested in longer-term fixed maturity securities, and they reported a pre-tax net unrealized loss on its available-for-sale securities at 31 December 2022. The credit ratings and default risk of their fixed maturity securities were not significantly impacted by the rise in interest rates and volatility in 2022 and because they intend to hold the long-term investments to maturity, they do not believe that the unrealized loss is indicative of their financial strength.

- For Citizens the relatively small Total stockholders' equity at 31 December 2022 is a function of fair value accounting and doesn't consider the cash and available invested assets, which are readily available to provide financial support to the subsidiaries if required. The expectation is that the current level of unrealized losses will naturally unwind over time as the bonds trend towards maturity. While the historic and projected stockholders' equity figures are volatile on a US GAAP basis, the stockholders' equity figures excluding AOCI has been far more stable and far exceeds the potential capital needs required by CICA PR as set out in my Report.
- In terms of the ability of Citizens to provide the necessary support, it holds separately fixed maturity securities, equities, other invested assets and cash available for capital management. I understand from Citizens that there are no restrictions on the use of these funds, although Citizens' Board of Directors approval would be required for a capital injection to be performed.
- The fixed maturities securities are invested in shorter term assets that can be easily liquidated and around 60% of the portfolio has a duration of less than 5 years. At 31 December 2022, the fixed maturity securities on the Citizens balance sheet was 100% invested in investment grade securities, and thus the risk of default on these assets can be considered to be relatively low.
- Thus, in terms of the above considerations, and the fact that the PR Keep Well Agreement has been entered into and strengthened from the original Keep Well Agreement, and I have been provided with legal opinions on its enforceability (both from a Puerto Rico and Colorado Law perspective), I am of the view that Citizens would be in a position to inject capital into CICA PR if required to do so.
- As at June 30, 2022, based on CICA Bermuda's unaudited financial results, the company did not meet its Minimum Margin of Solvency ("MMS") resulting from the rapidly rising interest rates. CICA Bermuda had been in compliance prior to this quarter. The breach was reported to the BMA. As the Insurance Act permits, CICA Bermuda requested a modification under Section 6C for purposes of calculating the minimum solvency margin. At 31 December 2022 CICA Bermuda was compliant with its MMS after being granted a permitted practice by the BMA. The BMA has permitted CICA Bermuda to record fixed income securities at amortized costs in the unconsolidated Statutory Financial Statements. The impact of the modification is to increase the statutory capital and surplus to the total stockholders' equity (excluding AOCI). After the business transfers it will be subject to Laws and Regulations of Puerto Rico's OIC insurance solvency framework which uses premium to surplus ratios. Thus, at that point the business will be accounted for using SAP whereby investments in bonds are generally carried at cost or amortized cost consistent with the modification received.
- I note that the Section 6C modification is in respect of 31 December 2022 only. I have been provided with LDTI projections by the Company for 2023 which show that, assuming significant market volatility does not present itself in the period, the level of stockholder's equity is expected to comfortably exceed the MMS. Thus, should the Proposed Transfer be delayed, a further Section 6C modification is not expected to be required.

Fair Treatment of Policyholders

- There are no planned changes to future policyholder terms and conditions. It is further assumed that the terms and conditions will remain in place for the duration of the portfolio.
- All assets including reinsurance contracts are expected to be transferred to CICA PR (except any assets in relation to policies that cannot be transferred due to AML or sanctions-related reasons – I note that I am not aware of any such assets), and therefore will continue to operate in the same way as they do currently. I have been provided with a letter from CICA Bermuda's insurance broker, Innovative Reinsurance Group, indicating that all of our current reinsurers have agreed in principle to the Proposed Transfer.

- There are no changes planned to the quality of service delivery to policyholders by CICA PR. Similar to CICA Bermuda, CICA PR intends to outsource a number of functions to Citizens through a service agreement that has been approved by the OIC. The support that Citizens intends to provide includes: (i) underwriting; (ii) policyholder services; (iii) claims handling; (iv) marketing services; (v) actuarial services; and (vi) accounting and legal services. CICA PR believes this approach makes sense from a business and policyholder protection perspective, as Citizens' staff are familiar with the portfolio and the level of support it requires. The services will be provided, at Citizens' sole option, at either Citizens headquarters in Austin, Texas, or in another location that Citizens may choose. Citizens will charge CICA PR a monthly fee equal to the actual expenses of providing services, plus 12.5% thereof (or such other amount as the OIC may approve from time-to-time).
- As part of the same group, both CICA Bermuda and CICA PR operate under broadly similar group-mandated governance arrangements. CICA PR follows strict adherence to the group governance structure and hence the standards of governance which will apply are high.
- For the CICA Bermuda policyholders, CICA PR will have contracts in place that are not part of the CICA Bermuda portfolio, such as critical illness contracts. This means that the existing CICA Bermuda policyholders will become exposed to the risks associated with these, such as morbidity risk. Whilst new risks are introduced, the Citizens' group has expertise at managing these risks and I do not believe that CICA Bermuda policyholders are disadvantaged as a result of the Proposed Transfer.
- For the existing CICA PR policyholders, the transferring CICA Bermuda book has products transferring that are generally aligned to those of CICA PR.
- From 28 February 2023, CICA Bermuda will need to comply with an obligation under 8.1 of the Insurance Code of Conduct, to conduct its business with integrity and to manage conflicts of interest. This comprises the conduct of business framework applicable to insurers, such as CICA Bermuda, who do not write domestic business. There is no developed Treating Customers Fairly ("TCF") or Policyholder Reasonable Expectations ("PRE") regime in Puerto Rico and I have therefore used my experience to set out what would be typically included in such frameworks as it pertains to transfers.
- I have considered the effects of the Scheme of Transfer on the fair expectations and treatment of each of CICA Bermuda and CICA PR policyholders focusing on the following aspects:
 - *Security of benefits*: Policyholders have a reasonable expectation that their benefits are secure and will be paid as they fall due.
 - *Terms and conditions*: Policyholders have a reasonable expectation that the terms and conditions will not be amended over time, or are only changed so as to enhance the offering to policyholders.
 - *Entitlement to benefits*: Policyholders have a reasonable expectation that valid claims will be paid in accordance with policy terms and conditions. Product information does not confer any particular additional reasonable expectations over and above the contractual provisions.
 - *Service standards*: Policyholders have a reasonable expectation that the services they receive will be provided in a professional manner, and that claims and enquiries will be dealt with promptly.

Therefore, I consider that the Scheme of Transfer does not impact on the fair expectations of any policyholders.

Policyholder Communication

In terms of policyholder communications, I note:

- The intention is to communicate with CICA Bermuda policyholders via a Circular to Policyholders.
- I note that the Circular to Policyholders references the documents made available for consultation to CICA Bermuda policyholders (including a website link to view and download, as well as an address in Bermuda at Kennedys, CICA Bermuda's counsel, to physically inspect) will include:
 - This Report of the Approved Actuary and the Summary Report
 - The Scheme of Transfer

– The petition to the Bermuda Court

- The Circular to Policyholders will advise policyholders of their right to be heard by the Bermuda Court at the sanction hearing regarding any objections. It will provide the policyholders with a summary of the key terms of the Scheme of Transfer, including (i) information on the background to and reasons for the Proposed Transfer, (ii) the effect of the Proposed Transfer on the policies and what the policyholders have to do, (iii) information about CICA PR, (iv) an overview of Bermuda regulatory protections and of the transfer proceedings, which includes a statement that this Report opines that the Proposed Transfer will not materially adversely affect the policyholders and is fair to the policyholders, (v) how to object to the Proposed Transfer, (vi) what happens on the Effective Date, and (vii) a listing of documents available for inspection and a helpline service to call for questions.
- In addition to the Circular to Policyholders, CICA Bermuda will publish a legal notice in connection with the Proposed Transfer in the Bermuda Royal Gazette.
- I understand that my Report will be available to policyholders via a link on Citizens' website at <https://www.citizensinc.com/cica-ltd-transition-cica-ai-puerto-rico/> and the existence of the above-referenced documents will be very clearly signposted in the Circular to Policyholders. This approach is in line with my understanding of the BMA's expectations.
- In addition, the Circular to Policyholders will be made available on the Citizens' website.
- I understand that Spanish, Portuguese and Mandarin translations of the Circular to Policyholders and Summary Report will be made available to CICA Bermuda policyholders.
- There is no intention to communicate with the policyholders of CICA PR. It is my understanding that this is not a requirement of the OIC and therefore I consider it reasonable.

Given my finding above and with the agreement of the BMA, I am comfortable with this communication approach.

Conclusions

Having considered the impact of the Scheme of Transfer on both the transferring policyholders of CICA Bermuda and the existing policyholders of CICA PR it is my opinion that:

- The Scheme of Transfer will not have a material adverse effect on the reasonable benefit expectations or the financial security of any of the policyholders involved. Therefore, in my view, policyholders will not be materially adversely affected by the Scheme of Transfer.

My opinion in relation to CICA Bermuda and CICA PR is based on:

- My review of all the pertinent historic and current information provided by Citizens and the Scheme Entities;
- Citizens ability to provide the necessary capital support if required and the enforceability of the PR Keep Well Agreement; and
- Discussions with and written letters of representation from the management of CICA Bermuda and CICA PR on the factual accuracy of the information provided to me for the purposes of preparing this Report.

My assessments are made in the context of the regulatory regime in Bermuda and the regulatory regime in Puerto Rico.

I note that there is adequate planned communication of the Scheme of Transfer to the relevant policyholders.

I note the assumed Effective Date for the Scheme of Transfer underpinning the analysis in this Report is 31 March 2023, which is not expected to be achievable at the time of writing of this Report. I note that a short delay in terms of the timing of the Proposed Transfer, e.g. up to six months, is not expected to materially change the findings or the conclusions drawn within the Report given the relatively small levels of business expected to be written in CICA PR compared to the business held on CICA Bermuda's balance sheet during that time.



Summary Report of the Approved Actuary

3 May 2023

Brendan McCarthy

3 May 2023

Brendan McCarthy, FSAI

Date

Approved Actuary

KPMG Ireland