



# CITIZENS INC. INVESTOR PRESENTATION

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SEPTEMBER 2023



[WWW.CITIZENSINC.COM](http://WWW.CITIZENSINC.COM)



A photograph of two women in a market setting. The woman on the left is seen in profile, looking towards the right. The woman on the right is smiling broadly and looking towards the left. They are holding both hands. The background shows a busy market with various stalls and people. A semi-transparent blue rectangular box is overlaid in the center of the image, containing white text.

**INSURANCE IS  
A PROMISE MADE.**

**CITIZENS IS  
A PROMISE KEPT.**

# SAFE HARBOR STATEMENT

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. All statements other than statements of historical facts contained in this presentation, including statements regarding Citizens' (the "Company") future results of operations and financial position, including financial targets, business strategy, plans and objectives for future operations, are forward-looking statements. The Company has based these forward-looking statements largely on its current estimates of its financial results and its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy, short term and long-term business operations and objectives, and financial needs as of the date of this presentation. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under the heading "Risk Factors" in the Company's filings with the Securities and Exchange Commission (the "SEC"). Additionally, new risks emerge from time-to-time. It is not possible for Company management to predict all risks, nor can the Company assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements the Company may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this presentation may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee that the future results, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Except as required by law, the Company undertakes no obligation to update publicly any forward-looking statements for any reason after the date of this presentation, to conform these statements to actual results or to changes in the Company's expectations.

The Company's filings with the Securities and Exchange Commission are available to you and you should read the documents the Company has filed with the SEC for more complete information about the Company. You may get these documents for free by visiting EDGAR on the SEC Web site at [www.sec.gov](http://www.sec.gov).

## USE OF NON-GAAP MEASURES

This presentation includes certain non-GAAP financial measures. While the Company believes these are useful measures for investors, they are not presented in accordance with GAAP. You should not consider non-GAAP measures in isolation or as a substitute for the most directly comparable or other financial measures calculated in accordance with GAAP. Because not all companies use identical calculations, the presentation herein of non-GAAP financial measures may not be comparable to other similarly titled measures of other companies. Please see the Appendix for important reconciliations between our non-GAAP and GAAP financial measures.

# Company Overview

# CITIZENS INC ....WE ARE NOT...

CITIZENS BANK



CITIZENS P&C



CITIZENS LOUISIANA P&C



So, who is Citizens INC. ?  
NYSE: CIA

# CITIZENS OVERVIEW

We specialize in offering traditional life insurance, endowment products and final expense insurance in niche markets where we believe we are able to achieve competitive advantages



224  
employees



Policyholders  
In more than  
**70**  
Countries



2,000+  
Independent  
Agents

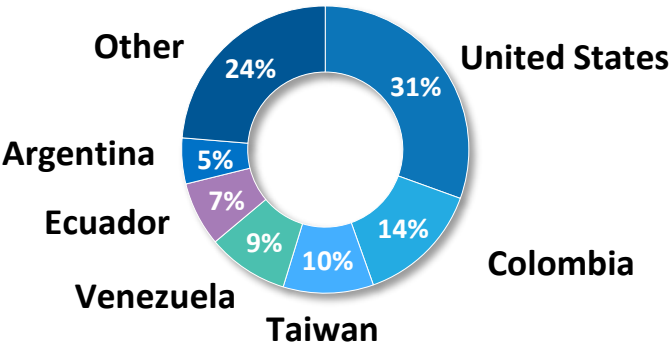


**\$1.6B Assets**

Over **\$4.8 Billion** Gross Insurance In-force

**\$174mm** Diversified Premium Revenues

2022 Premium Revenue  
(Geography)



\* All information as of December 31, 2022



# PREMIUM REVENUE SNAPSHOT (SEGMENT)

## 2022 Premium Revenues (Segment)

**Life Insurance Segment**  
**(72%)<sup>1</sup>**

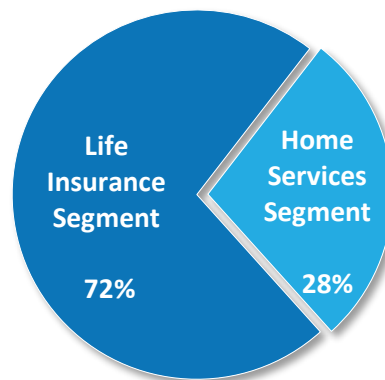
### U.S. dollar-denominated policies and contracts (International)

- Majority of premiums originate in Latin American countries
  - Additional premiums sales in Taiwan

Demographic – Upper middle-class, and those with significant net worth and earnings in their respective countries

### **Highlights –**

1. Majority of premiums paid annually
  - Reduces our administrative expenses
  - Accelerates cash flow
  - Lower policy lapse rate
2. High persistency and low mortality charges
3. Well known and respected brand in Latin American community



**Home Services Insurance Segment**  
**(28%)<sup>1</sup>**

### Whole life insurance (funeral and burial costs)

- Majority of premiums originate in Louisiana, Mississippi and Arkansas
- Limited underwriting risk

Demographic – Middle-and lower-income households

### **Highlights – Segment is transforming through:**

1. Geographic Expansion
  - Demand for whole life products exists across all Southeastern states
2. Product, Sales & Marketing
  - New products & cross-selling opportunities
3. Demographic
  - Targeting higher-income bracket customers

<sup>1</sup> All information as of December 31, 2022



# SUSTAINABLE COMPETITIVE ADVANTAGES

## Superior Customer Service

- Intimate knowledge of unique Latino cultures across varying nationalities
- End-to-end transactions in Spanish, Portuguese, Mandarin, and English
- Long-standing relationships and strong brand recognition in the Latin America community

## Product Development Expertise

- Recognized for high-quality products that offer living benefits to meet the customer needs
- Bringing product development expertise to the independent distribution channel
- A leading provider of US-dollar denominated insurance products in Latin America

## Global Distribution Network

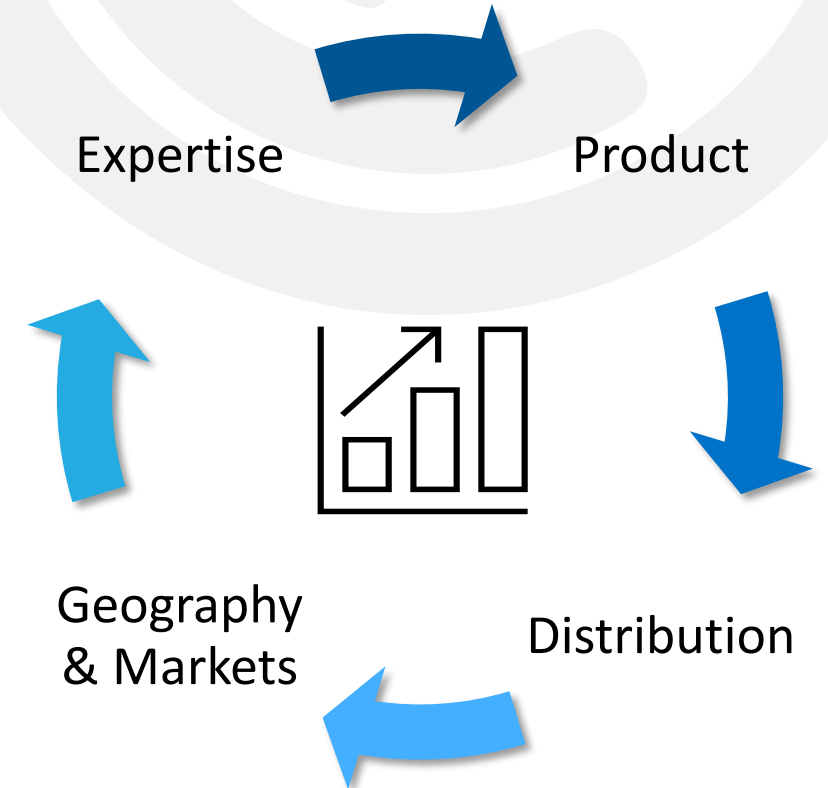
- Inimitable salesforce with decades of experience and customer trust
- Network of >2,000 international, and >500 domestic independent agents
- Average tenure of 25 – 30 years with the company

## Commitment and Versatility

- Collaborative, Agile, and able to quickly implement new strategic initiatives
- Strength and stability of a tenured company with the entrepreneurial culture of a start up
- Dedicated to value creation for all our stakeholders

# UNIQUELY POSITIONED FOR GROWTH OPPORTUNITIES

U.S. Dollar Denominated Products	Capital is invested in a more secure economic environment (the U.S.) Protection against devaluation of the policyowners' local currency Less prone to sudden geo-political shifts
Expertise in the Latino Markets (US & International)	Latinos have comprised >50% of total U.S. population growth between 2010 and 2020 <sup>1</sup> Latin America life insurance has a compelling setup of low penetration and increasing demand
Growing in Niche Markets	White labeled products Professional athletics Brokers, Affinity Groups
Rapidly Developing Innovative Products	>20 new product introductions and product revisions in 2021 and 2022 Increasingly sought out for bespoke policy products by key agency partners
Geographic and Distribution Capabilities	Existing licenses in 32 underpenetrated U.S. states Robust recruitment program for Independent Consultants Streamlined sales and underwriting process



<sup>1</sup>) 2020 US Census - Between 2010 and 2020, the Hispanic population grew by 23%, accounting for >50% of the total U.S. population growth

# Roadmap Execution

# CUSTOMER-CENTRIC GROWTH STRATEGY

## *TRANSFORMATION WITH AN EMPHASIS ON PEOPLE, PRODUCT AND PROCESS*

Sustained Profitable Growth and Shareholder Value Creation

### Strategic Goals

Increase first Year  
Sales

Improve Policy  
Retention

Execute on  
Success

Financial &  
Expense Discipline

### Tactical Approach

#### Product

Focus on our customer needs

- Implement new products tailored to our specific markets and enhance existing products
- Expand the target market and grow our geographic footprint

#### Promotions

Strategic Promotions

- Align sales consultant compensation with our premium revenue objectives
- Implement sales promotions and campaigns that promote our growth and retention initiatives
- Increase recruitment and training of salesforce

#### Processes

Process improvements and new technologies

- Get products to our customers faster
- Improve services for both our policyholders and independent consultants
- Help employees work more effectively and efficiently

# TRANSFORM AND CLEAR REVENUE GROWTH OPPORTUNITIES

INITIATIVES	<p><b>Rapidly develop innovative products</b></p> <p><b>Improve renewal and surrender trends</b></p>	<p><b>Clear and defined runway for geographic expansion</b></p>	<p><b>Disciplined expense and capital management</b></p>
RECENT ACCOMPLISHMENTS	<ul style="list-style-type: none"> <li>▪ &gt;20 new product introductions and product revisions in 2021 and 2022</li> <li>▪ <b>Amount of insurance issued +64% to \$675M in 2022</b></li> <li>▪ First year sales up 12% in 1H 2023</li> <li>▪ Renewals improved in 2021 and 2022</li> <li>▪ Surrenders steady improvement since 3Q 2021</li> <li>▪ Adding white-label partnerships that deliver unique products to established fast-growing distribution channels. Added three partnerships recently</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>A leader in U.S. dollar-denominated products, internationally</b></li> <li>▪ Intimate knowledge of unique Latino cultures across varying nationalities</li> <li>▪ End-to-end transactions in Spanish, Portuguese, Mandarin, and English</li> <li>▪ Existing licenses in 32 underpenetrated U.S. states</li> </ul>	<ul style="list-style-type: none"> <li>▪ Adjusted general operating expenses/total revenue improved to 26.0% in 2022</li> <li>▪ <b>Consistent net operating cash flows with no debt</b></li> <li>▪ Reinsurance with large globally recognized reinsurers</li> <li>▪ Share repurchases of \$4.6M available on the current authorization</li> <li>▪ Access to \$20M line of credit</li> <li>▪ A.M. Best Financial Strength Rating B++; Balance Sheet – Very Strong issued on CICA Life Insurance Company of America in July 2023</li> </ul>

Price to Book Value, excluding AOCI, period ending June 30, 2023 was .43 compared to life insurance peers of .83

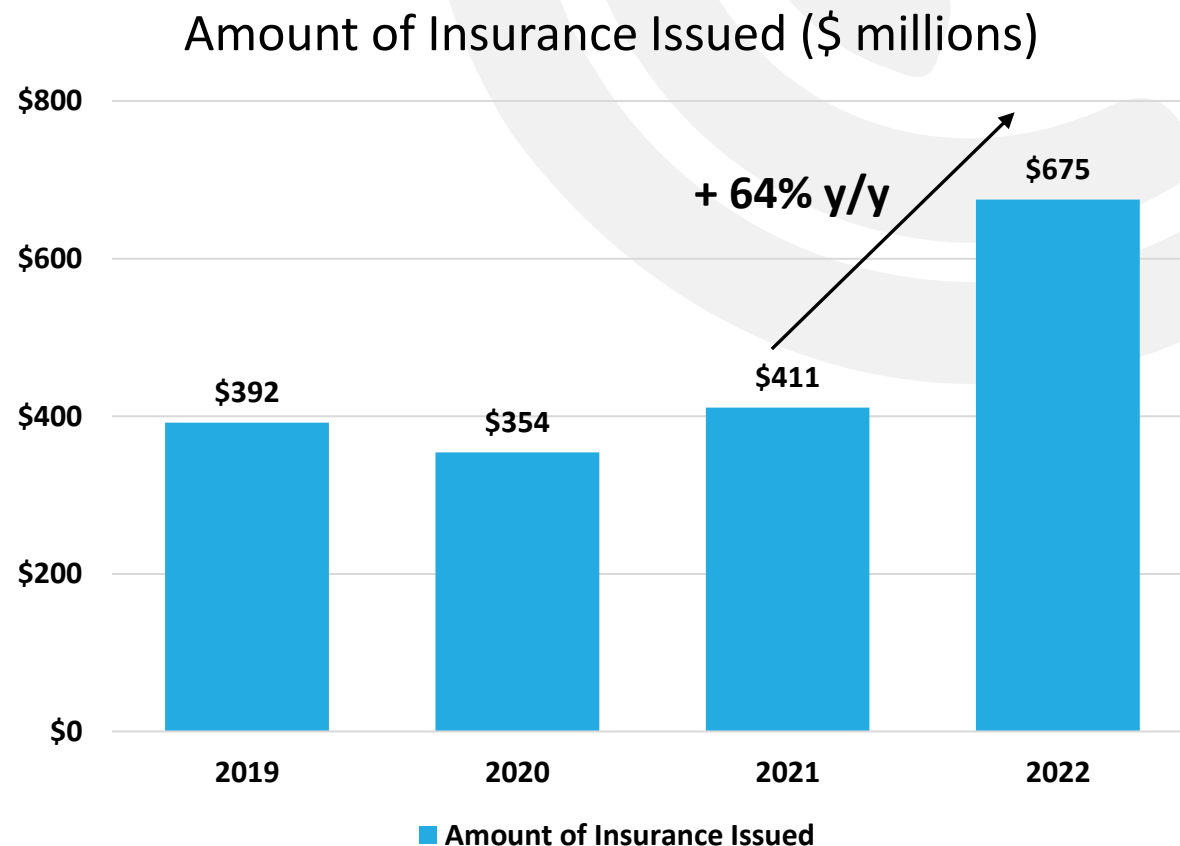
Book value increased 20% y/y to \$2.96 on June 30, 2023

# EXECUTING ON SUCCESS

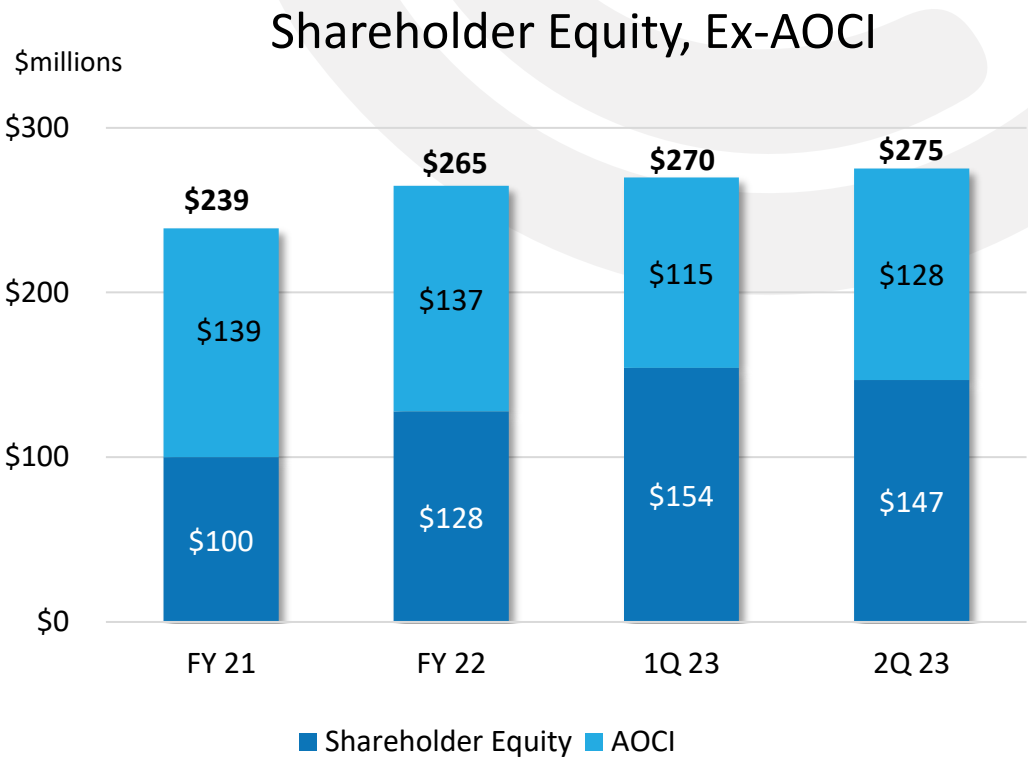
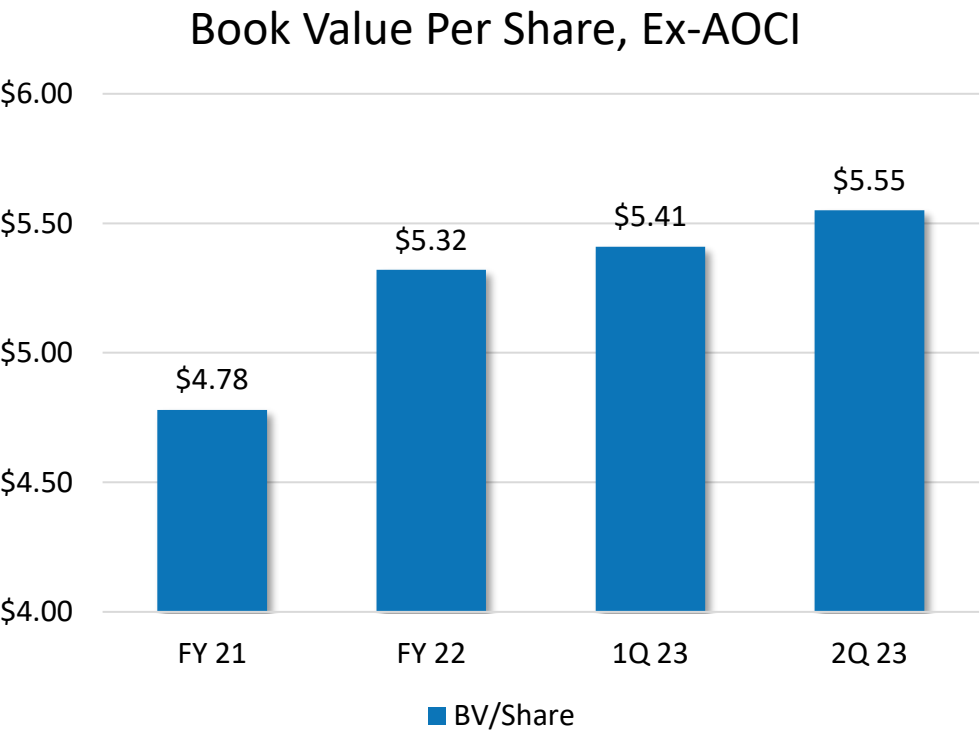
- + New & Innovative Products
- + Successful Selling Campaigns
- + Growing Distributor Relationships

## Positive results

- FY 2022 **insurance issued** grew 64% y/y
- FY 2022 **policies issued** grew 18% y/y



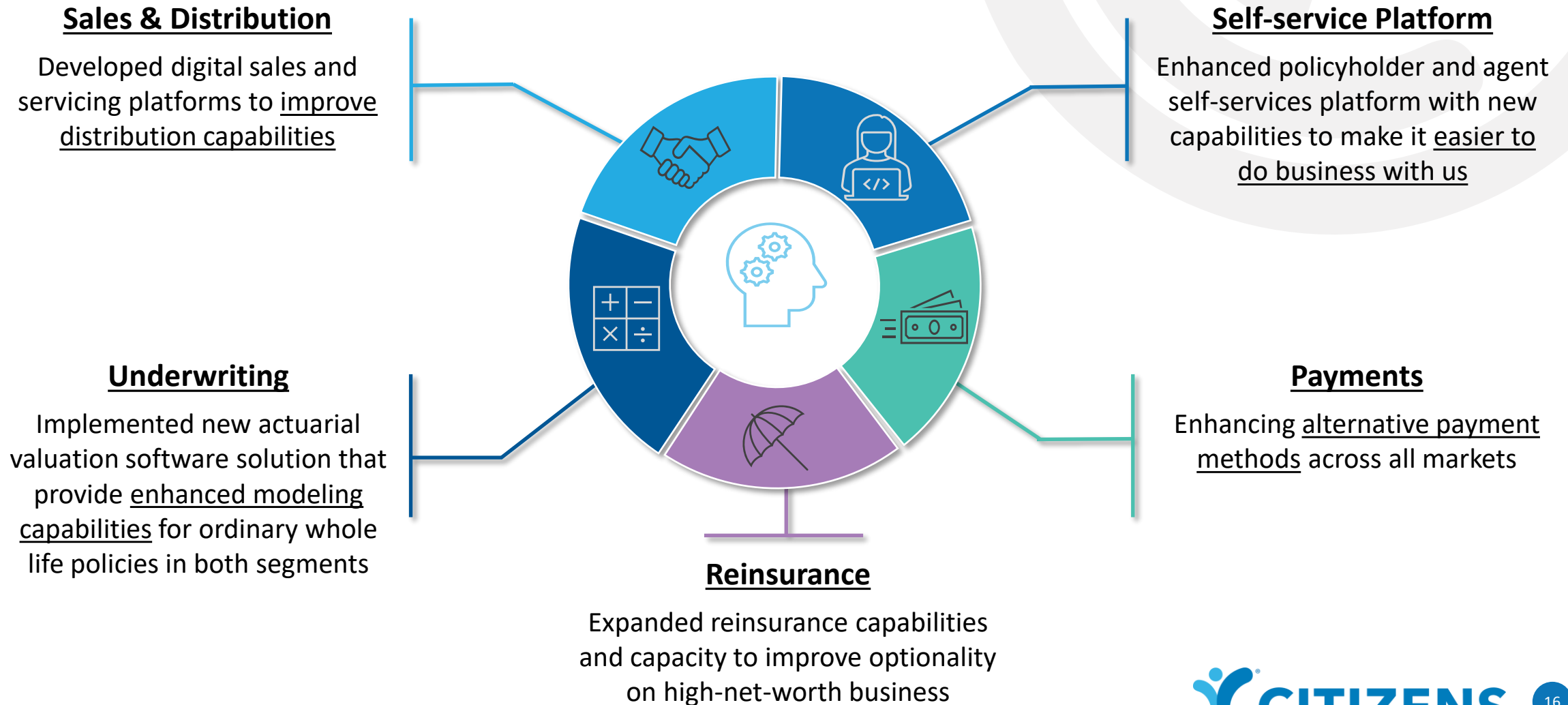
# SHAREHOLDER RETURNS





# PROCESS IMPROVEMENTS & TECHNOLOGY

## *MAKING IT EASIER TO DO BUSINESS WITH CITIZENS*



# EXPENSE MANAGEMENT

## PROCESS IMPROVEMENT

Recent initiatives to improve our technology and processes have reduced expenses, enhanced the customer experience, and driven firm-wide efficiencies

### 1. Getting products to our customers faster

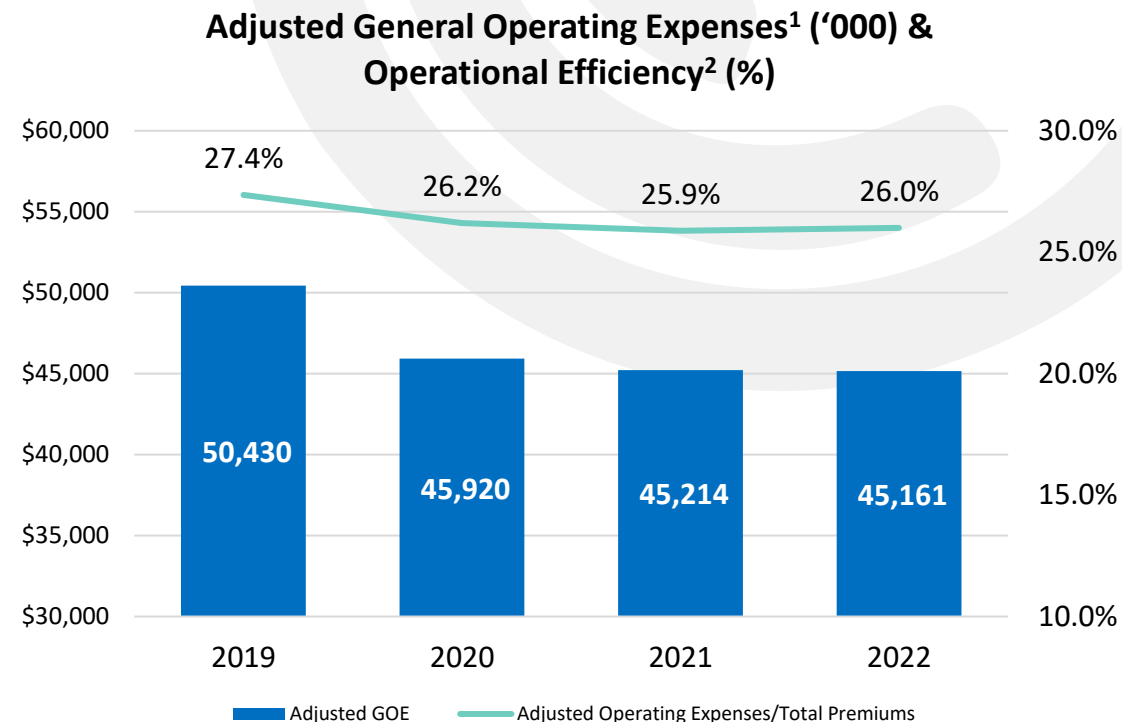
- Updated underwriting processes and revised policy applications
  - Removed barriers to sales
  - Reduced underwriting expense

### 2. Streamlined operating and management structure

- Converted a large portion of our sales force to independent agents
  - Reduced layers of management
  - Decreased operational expenses

### 3. Introduced technology and process enhancements across the organization

- Helping employees work more effectively and efficiently
  - Reduced administration costs



Process improvements, salesforce re-designs, and technology enhancements have yielded lower total adjusted other general expenses<sup>1</sup>, as well as improved operational efficiency<sup>2</sup>.

<sup>1</sup> Adjusted Other General Expenses exclude change-in-control expense related to a management departure in the amount of \$10 million incurred in 2020, a goodwill impairment of \$12.6 million incurred in 2021, and includes liability releases of approximately \$2 million incurred in each 2019, 2020, and 2021.

<sup>2</sup> Operational efficiency % is defined as Adjusted Other General Expenses as a percent of premium revenues.

# LIFE INSURANCE SEGMENT

## *Customer and Product Initiatives*

### 1. Improving retention

- Surrenders have shown steady improvement since 3Q 2021
- Renewal premium declines began to improve in 2021

### 2. Growing product portfolio

- Launched three products:

#### International

1. Whole Life 360™
2. FreedomELITE

#### Domestic

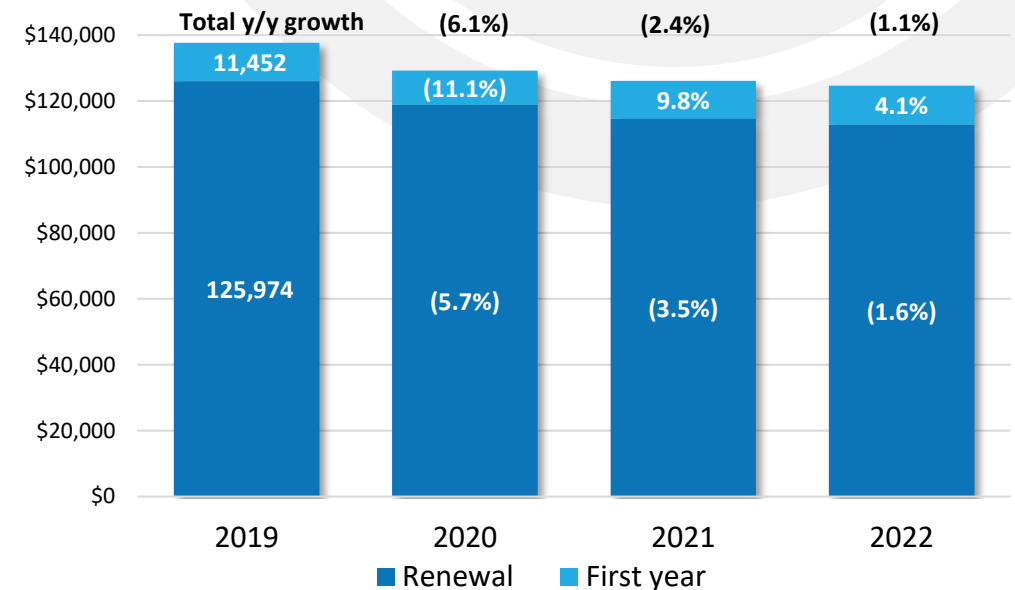
3. Whole life products to the US Latino market

- Developing additional accident and health products for the international and U.S. domestic market

### 3. Expanding into specialized markets and products

- Professional athletics in the international markets
- White Label Products – Bringing unique products to established distribution channels

Life Insurance Segment Premium Revenue ('000) and y/y growth (%)



Retention efforts began to stem the decline of renewal premiums starting in 3Q 2021. New products and improved sales practices had a positive impact on FY2021 and FY2022 first year premiums revenues, which grew 9.8% and 4.1%, respectively.

# HOME SERVICES INSURANCE SEGMENT

## *Customer and Product Initiatives*

Shifting revenue focus to **growth through new products**

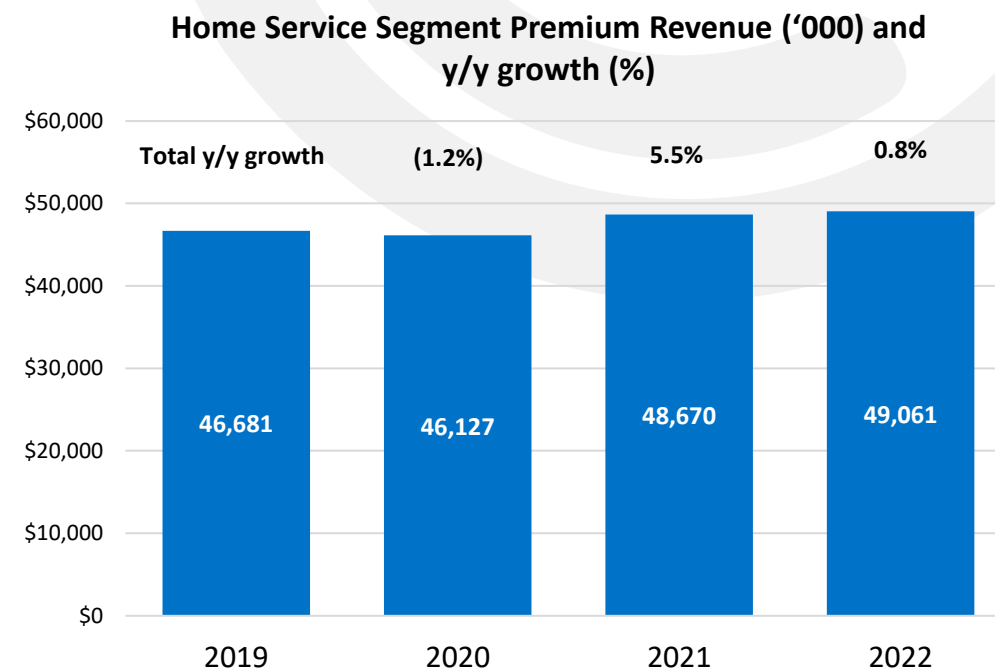
1. Expanding our product offerings and increasing sales growth

- Security Plan Plus<sup>1</sup> {
  - Higher face value whole life policies
  - Expanding target market into higher-net-worth customers
- Critical Illness<sup>2</sup> {
  - Innovating new product classes
  - Increasing flexibility for policyholders

2. Exploring new products and enhancements, including Accident & Health

<sup>1</sup> Security Plan Plus – Is a higher face value whole life product sold to customers in the domestic U.S. market

<sup>2</sup> Critical Illness – Offers a lump sum living benefit at the policyholder's discretion in the event of a covered critical illness

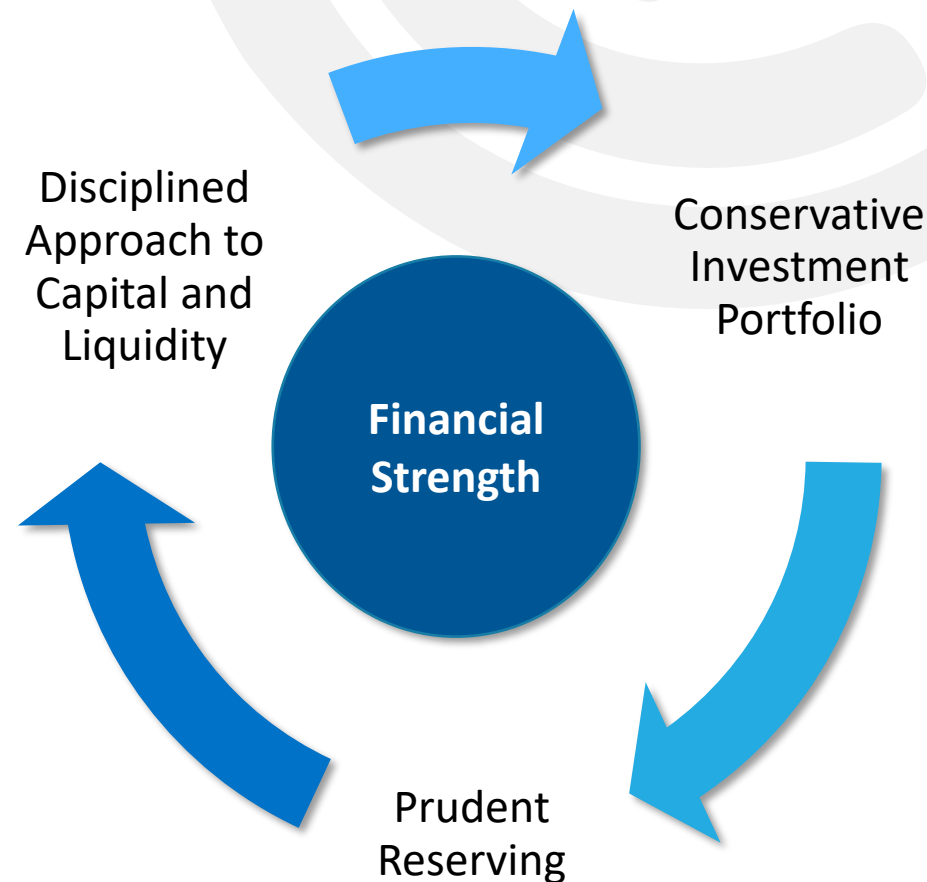


New products, marketing campaigns and process improvements helped drive total premium growth of 5.5% and 0.8%, in 2021 and 2022 respectively.

# Financial Overview

# LOW RISK PROFILE AND FINANCIAL STRENGTH

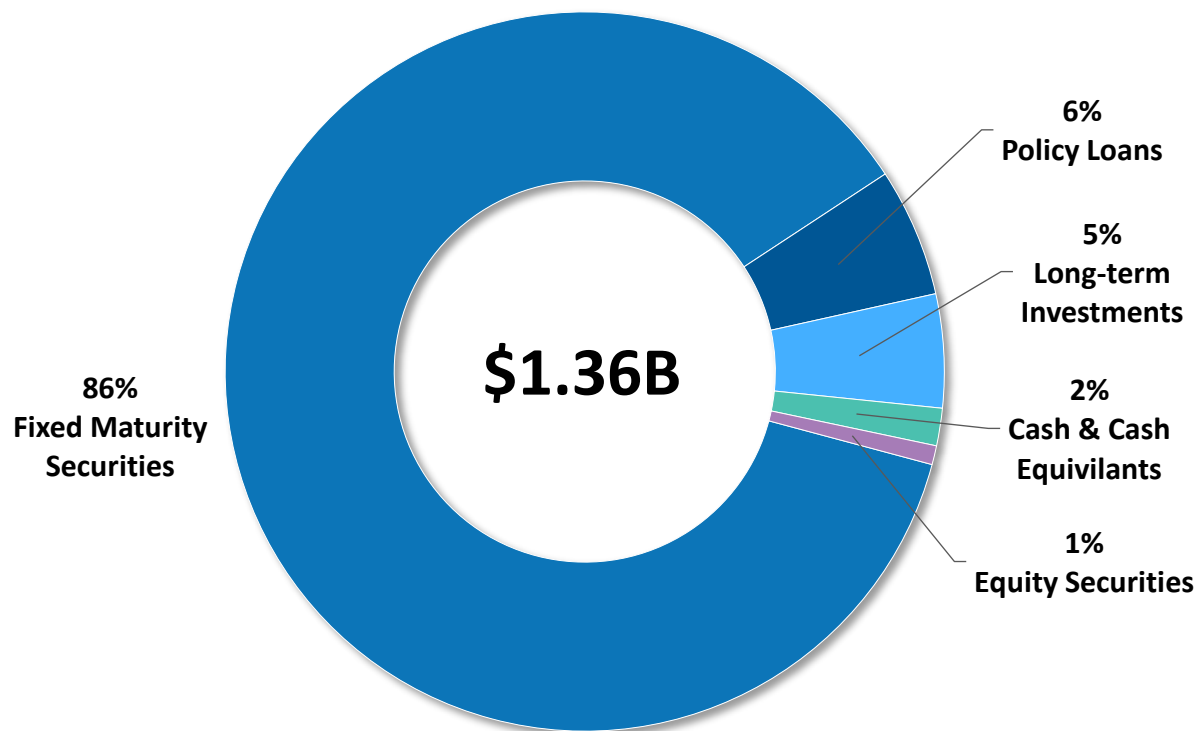
- Low risk business model and conservative balance sheet management drive our financial fortitude
- Strong balance sheet underpinned by a prudent approach to:
  - Investment portfolio mix
  - Loss reserving
  - Capital and liquidity
- Reinsure business with large global reinsurers



# INVESTMENT PORTFOLIO

## *HIGH-QUALITY AND WELL-DIVERSIFIED*

Cash and Invested Assets (FY 2022)

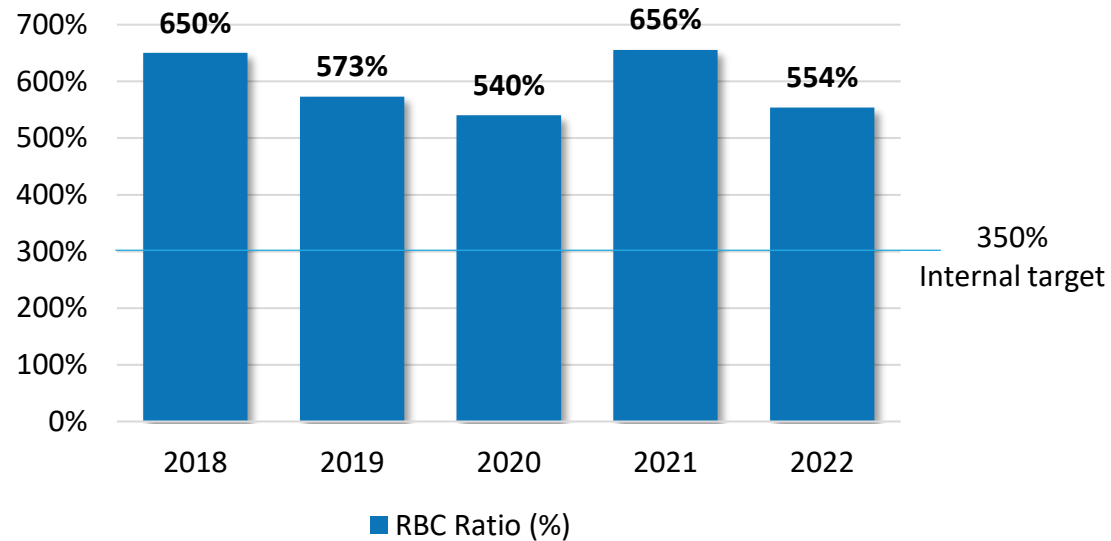


- Fixed income and cash securities represent 88% of the investment portfolio
- 99% of fixed income investments rated investment grade
- Annualized investment yield of 4.4%
- Diversified across asset class, sector, and issuer/borrower
- A average credit rating

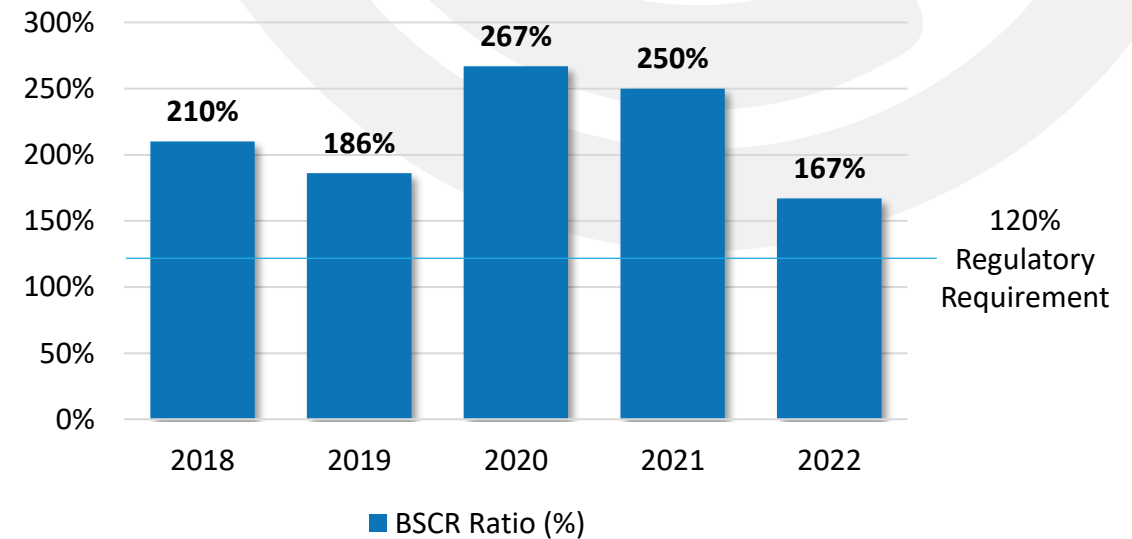


# CAPITAL ADEQUACY AND LIQUIDITY

**Risk Based Capital Ratio (%)  
(TAC/ACL RBC)**



**Bermuda Solvency Capital  
Requirement (%)**



## Solid Liquidity

- Parent company cash and investments totaling ~\$30 million
- Consistently have net cash provided from operating activities
- Access to \$20 million line of credit

# FINANCIAL HIGHLIGHTS FOR 2Q 2023

## GAAP Financial Results

As of and for the periods ended	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	2023	2022	2023	2022
<b>Total Revenues</b>	\$ 58,527	\$ 53,734	\$ 114,441	\$ 109,091
<b>Net income</b>	6,126	2,492	10,998	8,941
<b>Diluted EPS</b>	0.12	0.05	0.22	0.18
<b>Stockholders' equity, end of period</b>	146,846	123,324	146,846	123,324
<b>Book value per Class A common share</b>	2.96	2.46	2.96	2.46

## Adjusted Operating Financial Results

As of and for the periods ended	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	2023	2022	2023	2022
<b>Income (loss) before federal income tax</b>	\$ 6,044	\$ 3,966	\$ 12,759	\$ 11,144
Total Adjustments	(356)	(4,558)	(589)	(4,666)
<b>Adjusted income (loss) before federal income tax<sup>1</sup></b>	6,400	8,524	13,348	15,810
<b>Adjusted Stockholders' equity, end of period<sup>2</sup></b>	275,209	248,876	275,209	248,876
<b>Adjusted Book value per Class A common share<sup>2</sup></b>	5.55	4.96	5.55	4.96

## 2Q 2023 Performance Highlights

- Revenues grew 9% y/y driven by new business
- Profitability improvement
- Book value per share (GAAP) grew 20% y/y, and book value per share excluding AOCI grew 12% y/y

<sup>1,2</sup>Additional information and disclosures related to Adjusted Operating Financial Results can be found in the appendix under the heading "Explanatory Notes on Use of Non-GAAP Measure."

# KEY INVESTMENT HIGHLIGHTS

## Unique Market Position

- A Leader in USD-denominated whole life products, internationally
- Strong brand awareness among Latin American policy holders
- End-to-end transactions in **Spanish**, **Portuguese**, **Mandarin**, and **English**

## Clear Growth Opportunities

- Large unmet need for specialized insurance products in US Latino market
- Existing licenses in 31 states
- Continued growth in specialized markets:
  - White labeled products
  - Professional Athletics
  - Brokers, Affinity Groups

## Executing on Goals

- **Improving first year sales** trends
- Strong initial demand for new products
- **Retention efforts are succeeding**
  - Renewal premiums are higher
  - Claims and surrenders are lower
- **Reducing expenses** through cost management and process improvements

## Expanding Distribution Capabilities

- Enhanced recruitment and training of independent consultants (IC)
- Clear and defined runway for geographic expansion
- Digital sales and servicing platforms

## Financial Strength

- Low risk business model and conservative balance sheet management
- Ample liquidity and consistent net operating cash flows
- Reinsure with large globally recognized reinsures

A person wearing a straw hat, a light blue long-sleeved shirt, light blue shorts, and a tan backpack stands on a sandy beach. Their arms are raised in a 'V' shape towards a bright sunset sky. The sun is low on the horizon, casting a golden glow over the ocean and the rugged cliffs in the background. The scene is framed by a semi-transparent blue border.

**INSURANCE IS**

**A PROMISE KEPT.**

# Appendix

## Explanatory Notes on Use of Non-GAAP Measures

### <sup>1</sup>Adjusted Operating Income

Adjusted Operating Income is a non-GAAP measure that is computed as pre-tax GAAP operating income, excluding net investment related gains (losses) and unusual one-time items. Management believes that this metric is meaningful, as it allows investors to evaluate underlying profitability and enhances comparability across periods, by excluding items that are heavily impacted by investment market fluctuations and other economic factors and are not indicative of operating trends. Management believes that the pre-tax metric is a more useful comparison than the post-tax metric, as the Company's effective tax rate can fluctuate significantly from quarter-to-quarter.

#### Reconciliation of Adjusted Income (Loss) Before Federal Income Tax

For the periods ended	Three Months Ended June 30,		Six Months Ended June 30,	
<i>Unaudited (In thousands)</i>	2023	2022	2023	2022
<b>Income (loss) before federal income tax</b>	\$ 6,044	3,966	\$ 12,759	11,144
Less:				
Investment related gains (losses)	703	(5,016)	415	(5,598)
Property insurance business income (loss)	(1,059)	458	(1,004)	932
<b>Adjusted income (loss) before federal income tax</b>	<u>\$ 6,400</u>	<u>8,524</u>	<u>\$ 13,348</u>	<u>15,810</u>

## Explanatory Notes on Use of Non-GAAP Measures, Continued

### <sup>2</sup>Adjusted Book Value Per Class A Common Share

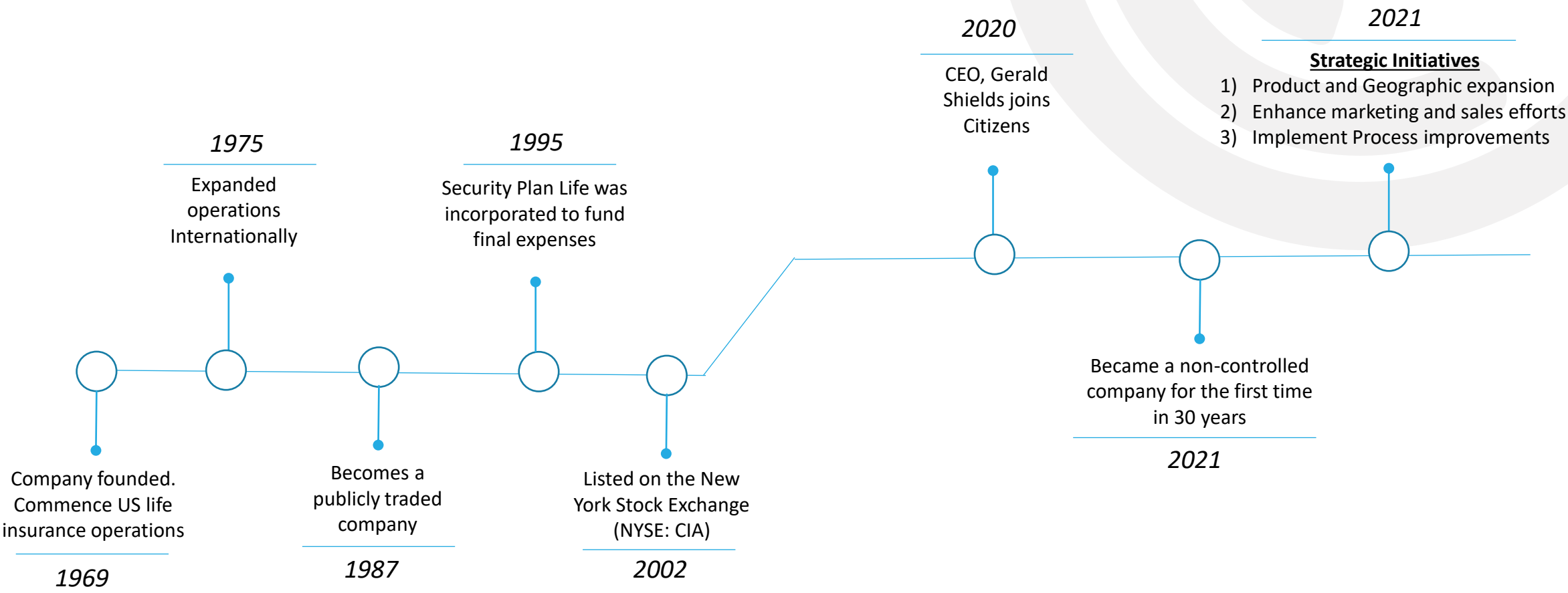
Adjusted book value per Class A common share is a non-GAAP measure that is calculated by dividing actual Class A common stockholders' equity, excluding AOCI, by the number of Class A common shares outstanding at the end of the period. Management believes this metric is meaningful, as it allows investors to evaluate underlying book value growth by excluding the impact of interest rate volatility

#### Reconciliation of Stockholders' Equity and Book Value Per Class A Common Share

<i>Unaudited (In thousands, except per share data)</i>	As of June 30,	
	2023	2022
<b>Stockholders' equity, end of period</b>	\$ 146,846	123,324
Less: Accumulated other comprehensive income (loss) (AOCI)	(128,363)	(125,552)
<b>Stockholders' equity, end of period, excluding AOCI</b>	<u>\$ 275,209</u>	<u>248,876</u>
 <b>Book value per Class A common share - diluted</b>	 \$ 2.96	 2.46
Less: Per share impact of AOCI	(2.59)	(2.50)
<b>Book value per Class A common share - diluted, excluding AOCI</b>	<u>\$ 5.55</u>	<u>4.96</u>



# COMPANY TIMELINE



# DEDICATED & EXPERIENCED MANAGEMENT TEAM

## *INTERDISCIPLINARY TEAM WITH BROAD CAPABILITIES*

GERALD W. SHIELDS

President and CEO

CEO Since  
2020



JEFFERY P. CONKLIN

Vice President, Chief Financial Officer and  
Treasurer, Chief Investment Officer

CFO Since  
2019



SHERYL KINLAW

Vice President, Chief Legal Officer and Secretary

CLO Since  
2021



ROBERT M. MAULDIN, III

Vice President, Chief Marketing Officer

CMO Since  
2017



HARVEY J. L. WAITE

Vice President, Chief Actuary

Chief Actuary  
Since 2017

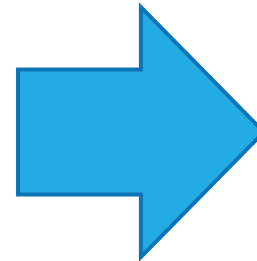


# POLICY RETENTION

## IMPROVING SURRENDER BENEFITS AND RENEWAL TRENDS

Executing on strategic initiatives to improve overall policy retention

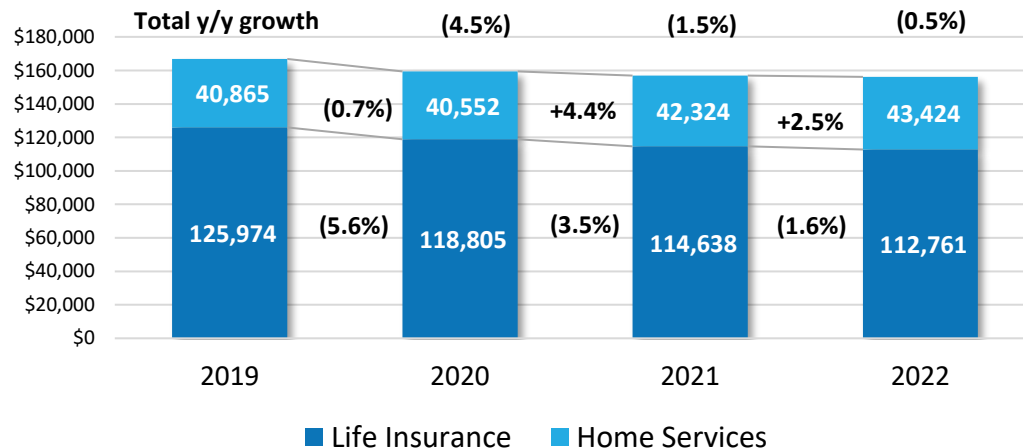
- Formed a retention steering team
- Expanded offerings of surrender alternatives
- Enhanced collection efforts among independent distributors
- Selling into higher-income demographics
- Continued enhancements to the customer experience



Continuing to improve Policy Retention across all markets

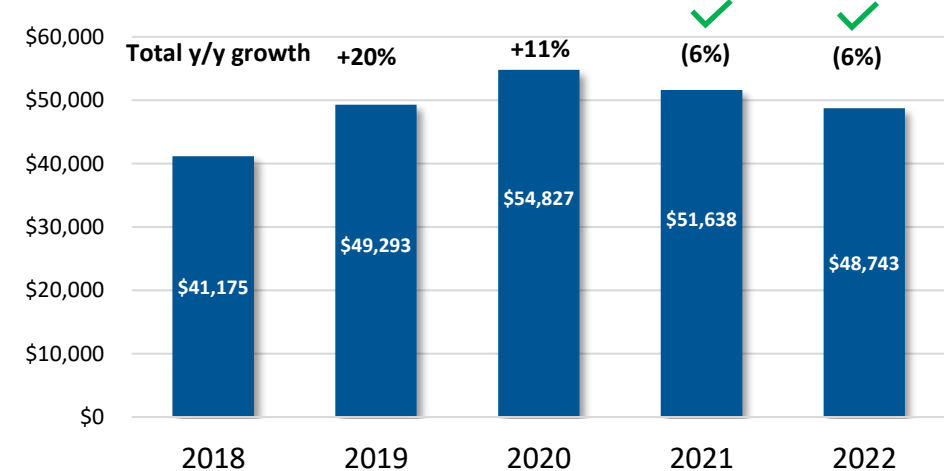
Exceeded 120% of 2021 retention goals

### Renewal Premium Revenue ('000)



Total renewal premium trends improved in 2021 and 2022, driven y/y growth Home Services Insurance segment, and improving trends in the Life Insurance segment.

### Total Surrender Benefits ('000)



Surrenders benefits improved in both 2021 and 2022, decreasing by 6% in both years, driven by strategic initiatives designed to improve retention and mitigate surrenders.