CICA Life Ltd.

Financial Statements as of and for the Years Ended December 31, 2021 and 2020, and Report of Independent Certified Public Accountants

CICA Life Ltd.
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
CICA Life Ltd.
Pembroke, Bermuda

Opinion
We have audited the financial statements of CICA Life Ltd. (a Bermuda exempted company) (the “Company”), which comprise the balance sheet as of December 31, 2021, and the related statements of operations and comprehensive income (loss), stockholder’s equity, and cash flows for the year ended December 31, 2021, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date the financial statements are issued.

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Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other matter
The financial statements of CICA Life Ltd. as of and for the year ended December 31, 2020 were audited by other auditors. Those auditors expressed an unmodified opinion in accordance with accounting principles generally accepted in the United States of America in their report dated April 23, 2021.

Grant Thornton LLP

Miami, Florida
April 22, 2022

CICA Life Ltd.
Balance Sheets
As of December 31, 2021 and 2020

(In USD thousands)		2021	2020
Assets			
Investments:			
Fixed maturities available-for-sale, at fair value (amortized cost: $892,976 and $870,483 in 2021 and 2020, respectively)	$	**972,081**	975,695
Equity securities, at fair value		**5,680**	5,872
Other long-term investments (portion measured at fair value $56,038 and $11,923 in 2021 and 2020, respectively)		**56,038**	18,135
Policy loans		**69,611**	72,444
Total investments		**1,103,410**	1,072,146
Cash and cash equivalents		**11,780**	18,528
Accrued investment income		**10,357**	10,271
Reinsurance recoverable		**2,647**	1,973
Deferred policy acquisition costs		**95,236**	100,475
Due premiums		**9,699**	10,422
Other assets (less allowance for losses of $13 and 143 in 2021 and 2020, respectively)		**2,916**	3,867
Total assets	$	**1,236,045**	1,217,682
Liabilities and Stockholder's Equity			
Liabilities:			
Policy liabilities:			
Future policy benefit reserves:			
Life insurance	$	**959,189**	931,127
Annuities		**23,722**	21,337
Dividend accumulations		**27,980**	24,161
Premiums paid in advance		**39,677**	39,872
Policy claims payable		**2,488**	1,823
Other policyholders' funds		**27,913**	19,706
Total policy liabilities		**1,080,969**	1,038,026
Commissions payable		**1,318**	1,558
Other liabilities		**11,827**	19,651
Total liabilities		**1,094,114**	1,059,235
Commitments and contingencies (Note 8)			
Stockholder's Equity:			
Common stock		**250**	250
Additional paid-in capital		**30,497**	30,497
Retained earnings		**32,078**	22,155
Accumulated other comprehensive income		**79,106**	105,545
Total stockholder's equity		**141,931**	158,447
Total liabilities and stockholder’s equity	$	**1,236,045**	1,217,682

See accompanying notes to the financial statements.

CICA Life Ltd.
Statements of Operations and Comprehensive Income (Loss)
For the Years Ended December 31, 2021 and 2020

(In USD thousands)		2021	2020
Revenues			
Life insurance premiums	$	**122,227**	125,409
Net investment income		**41,754**	40,365
Investment related gains, net		**9,183**	1,435
Other income		**2,949**	1,676
Total revenues		**176,113**	168,885
Benefits and expenses			
Insurance benefits paid or provided:			
Claims and surrenders		**76,778**	78,043
Increase in future policy benefit reserves		**28,666**	24,878
Policyholders' dividends		**15,872**	16,673
Total insurance benefits paid or provided		**121,316**	119,594
Commissions		**18,114**	17,465
Other general expenses		**17,415**	14,822
Capitalization of deferred policy acquisition costs		**(16,103)**	(15,497)
Amortization of deferred policy acquisition costs		**21,342**	23,501
Total benefits and expenses		**162,084**	159,885
Net income		**14,029**	9,000
Other comprehensive income (loss):			
Unrealized gains (losses) on fixed maturities available-for-sale:			
Unrealized holding gains (losses) arising during the year		**(26,537)**	55,090
Reclassification adjustment for losses included in net income		**98**	133
Unrealized gains (losses) on fixed maturities available-for-sale, net		**(26,439)**	55,223
Other comprehensive income (loss)		**(26,439)**	55,223
Total comprehensive income (loss)	$	**(12,410)**	64,223

See accompanying notes to the financial statements.

CICA Life Ltd.
Statements of Stockholder's Equity
For the Years Ended December 31, 2021 and 2020

(In USD thousands)		Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2019	$	250	30,497	13,253	50,322	94,322
Accounting standard adopted January 1, 2020[1]		—	—	(98)	—	(98)
Net income		—	—	9,000	—	9,000
Unrealized gains on fixed maturities available-for-sale, net		—	—	—	55,223	55,223
Balance, December 31, 2020		250	30,497	22,155	105,545	158,447
Net income		—	—	**14,029**	—	14,029
Dividends paid to Citizens, Inc.		—	—	**(4,106)**	—	(4,106)
Unrealized gains (losses) on fixed maturities available-for-sale, net		—	—	—	**(26,439)**	(26,439)
Balance, December 31, 2021	**$**	**250**	**30,497**	**32,078**	**79,106**	**141,931**

[1] See Note 2 in the Notes to Financial Statements for more detail

See accompanying notes to the financial statements.

CICA Life Ltd.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

(In USD thousands)		2021	2020
Cash flows from operating activities:			
Net income	$	**14,029**	9,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Investment related (gains) losses, net		**(9,183)**	(1,435)
Net deferred policy acquisition costs		**5,239**	8,004
Depreciation		**1**	2
Amortization of premiums and discounts on investments		**3,548**	5,311
Change in:			
Accrued investment income		**(86)**	881
Reinsurance recoverable		**(674)**	786
Due premiums		**723**	1,123
Other assets		**1,082**	(188)
Future policy benefit reserves		**28,558**	24,729
Other policyholders' liabilities		**12,494**	5,115
Commissions payable and other liabilities		**(3,528)**	5,705
Net cash provided by operating activities		**52,203**	59,033
Cash flows from investing activities:			
Sales of fixed maturities available-for-sale		**—**	7,497
Maturities and calls of fixed maturities available-for-sale		**33,310**	153,326
Purchases of fixed maturities available-for-sale		**(68,091)**	(198,020)
Purchases of equity securities		**—**	(4,260)
Sale of other long-term investments		**11,896**	3,671
Purchases of other long-term investments		**(40,786)**	(21,463)
Increase (decrease) in policy loans, net		**2,833**	(1,427)
Purchase of property and equipment		**(3)**	—
Net cash used in investing activities		**(60,841)**	(60,676)
Cash flows from financing activities:			
Annuity deposits		**6,060**	4,416
Annuity withdrawals		**(4,170)**	(3,091)
Net cash provided by financing activities		**1,890**	1,325
Net decrease in cash and cash equivalents		**(6,748)**	(318)
Cash and cash equivalents, beginning of year		**18,528**	18,846
Cash and cash equivalents, end of year	$	**11,780**	18,528

See accompanying notes to the financial statements.

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

During 2021 and 2020, various fixed maturity issuers exchanged securities with book values of $6.5 million and $7.1 million, respectively, for securities of equal value.

The Company had no unsettled securities trades as of December 31, 2021 and $4.5 million as of December 31, 2020.

In 2021, fixed maturity securities of $4.1 million were transferred to Citizens, Inc. as payment of a dividend.

See accompanying notes to the financial statements.

(Concluded)

1. Organization and Corporate Structure

CICA Life Ltd. (the “Company” or “CICA Ltd.”) is incorporated as a Bermuda exempted company with limited liability and is registered as a Class E insurer under The Insurance Act 1978 of Bermuda. The Company is a wholly-owned subsidiary of Citizens, Inc. ("Citizens"), a Colorado corporation.

On July 1, 2018, Citizens effected a novation ("novation transaction") 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 sells ordinary whole-life and endowment insurance products primarily to residents of Latin America and the Pacific Rim through independent marketing firms and consultants with premium income derived primarily from life insurance products.

2. Significant Accounting Policies

a. *Basis of preparation*
The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP").

All amounts are expressed in U.S. dollars ("USD").

b. *Use of estimates*
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

Significant estimates include those used in the evaluation of credit losses on fixed maturity securities, actuarially determined assets and liabilities and assumptions, and contingencies relating to litigation and regulatory matters. Certain of these estimates are particularly sensitive to market conditions, and deterioration and/or volatility in the worldwide debt or equity markets could have a material impact on the financial statements.

c. *Allocations*
Statement of Operations and Comprehensive Income (Loss):

The Company operates through a Services Agreement with Citizens, in which Citizens provides support to the Company for new application underwriting, claims management, policyowner service, support services for independent marketing consultants, actuarial assistance, policy accounting, commission accounting, investment accounting, general accounting and routine data processing (“Standard Services”). The expenses for the Standard Services are allocated to the Company based upon an annual cost study conducted by Citizens. The Company’s financial statements may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company. For additional information, see Note 11, *Related Party Transactions.*

d. *Investments*
Investment securities are classified as held-to-maturity, available-for-sale ("AFS") or

trading. Management determines the appropriate classification at the time of purchase. The classification of securities is significant since it directly impacts the accounting for unrealized gains and losses on securities. Fixed maturity securities are classified as AFS, which are carried at fair value, with the unrealized holding gains and losses reported in other comprehensive income (loss) and are not reported in earnings until realized. The Company does not classify any fixed maturity securities as trading or as HTM. Equity securities are measured at fair value with the change in fair value recorded through net income.

Unrealized gains (losses) of fixed maturities held as AFS are shown as a separate component of stockholder's equity and is a separate component of comprehensive income (loss).

Beginning January 1, 2020, in connection with the adoption of a new accounting standard, the Company assesses AFS fixed maturity securities in an unrealized loss position for expected credit losses. First, we assess whether we intend to sell, or it is more likely than not that we will be required to sell, the security before recovery of its amortized cost. If either of the criteria is met, the security's amortized cost is written down to its fair value. For AFS fixed maturity securities that do not meet either criteria, we evaluate whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If management deems a credit loss has occurred, the impairment is recorded through an allowance for credit losses rather than as a write-down. Changes in the allowance for credit losses are recorded through investment related gains and losses. Any impairment that has not been recorded through an allowance for credit losses is recognized in accumulated other comprehensive income on our balance sheets. Prior to 2020, the Company evaluated all fixed maturity securities on a quarterly basis, and more frequently when economic conditions warranted additional evaluations, to determine if a write-down should be recorded due to an other-than-temporary impairment ("OTTI"). If an OTTI was required, the write-down was recorded directly to operations and any subsequent recoveries were recorded through net investment income over the remaining life of the security.

The Company made a policy election to exclude accrued interest from the amortized cost of AFS fixed maturity securities and report accrued interest separately in accrued investment income on the balance sheets. AFS fixed maturity securities are placed on non-accrual status when we no longer expect to receive all contractual amounts due. Accrued interest receivable is reversed against interest income when a security is placed on non-accrual status. Accordingly, we do not recognize an allowance for credit loss against accrued interest receivable.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the effective interest method. Dividend and interest income are recognized when earned. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

The Company from time to time may dispose of an impaired security in response to asset/liability management decisions, future market movements, business plan changes, or if the net proceeds can be reinvested at a rate of return that is expected to recover the loss within a reasonable period of time.

Policy loans are reported at unpaid principal balances.

Other long-term investments at December 31, 2021, consisted of investments in limited partnerships. We initially estimate the fair value of investments in limited partnerships by reference to the transaction price. Subsequently, we obtain the fair value of these investments from net asset value information provided by the general partner or manager of the investments, the financial statements of which are audited annually. Recognition of investment income on these funds is delayed due to the availability of the related financial statements, which are generally obtained from the partnerships' general partners. As a result, our limited partnerships are generally reported on a three-month delay.

e. *Cash and Cash equivalents*
Cash consists of balances on hand and on deposit in banks and financial institutions. Cash equivalents consists of securities whose duration does not exceed 90 days at the date of acquisition.

f. *Reinsurance recoverable*
Reinsurance recoverable includes expected reimbursements for policyholder claim amounts in excess of the Company's retention, as well as profit sharing and experience refund accruals. Reinsurance recoverable are reduced for estimated uncollectible amounts, if any.

Reinsurance premiums, benefits and expenses are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. The cost of reinsurance related to long duration contracts is accounted for over the life of the underlying reinsured policies using assumptions consistent with those used to account for the underlying policies. Profit-sharing and similar adjustable provisions are accrued based on the experience of the underlying policies.

g. *Deferred policy acquisition costs*
Policy acquisition costs consist of commissions and policy issuance, underwriting and agent convention expenses that are directly related to and vary with the successful production of new business are deferred. These deferred amounts, referred to as deferred policy acquisition costs ("DAC"), are recorded as an asset on the balance sheets and amortized to operations in a systematic manner, based on related contract revenues or gross profits as appropriate.

Traditional life insurance acquisition costs are being amortized over the premium-paying period of the related policies using assumptions consistent with those used in computing future policy benefit liabilities. If an internal replacement of insurance or investment contract modification substantially changes a contract as defined in current accounting guidance, then the DAC is written off immediately through income and any new deferrable costs associated with the new replacement or modification are deferred. If a contract modification does not substantially change the contract, the DAC amortization on the original contract will continue and any acquisition costs associated with the related modification are immediately expensed.

The ending DAC asset balance is calculated at a seriatim level for policies in force at the end of each reporting period based on the remaining unamortized asset. The assumptions used to calculate DAC are set when a policy is issued and do not change with changes in actual experience, unless a loss recognition event occurs. The seriatim method ensures that policies lapsed or surrendered during the reporting period are no longer included in the DAC calculation. This method limits the amount of deferred costs to its estimated realizable value, provided actual experience is comparable to that contemplated in the locked-in assumptions.

Inherent in the capitalization and amortization of DAC are certain management judgments about what acquisition costs are deferred, the ending asset balance and the annual amortization. Approximately 95.8% of our DAC is attributed to first year and renewal excess commissions. The remaining 4.2% is attributed to costs that vary with and are directly related to the successful acquisition of new insurance business. Those costs generally include costs related to the production, underwriting and issuance of new business.

DAC is subject to recoverability testing at the time of policy issuance and loss recognition testing on an annual basis, or when an event occurs that might require loss recognition testing. If loss recognition or impairment is necessary, DAC would be written off to the extent that anticipated future premiums and investment income is insufficient to cover expected future policy benefits and expenses. Loss recognition testing that considers, among other things, actual experience and projected future experience calculates the available premium (gross premium less the benefit and expense portion of premium) for the next 50 years. DAC is evaluated for recoverability using best estimate assumptions. Based on the results of DAC recoverability testing and loss recognition testing, management believes that our DAC as of the years ended December 31, 2021 and 2020 limits the amount of deferred costs to its estimated recoverable value.

The components of DAC from year to year are summarized as follows:

(In USD thousands)		**2021**	**2020**
Balance at beginning of year	**$**	**100,475**	108,479
Capitalized		**16,103**	15,497
Amortized		**(21,342)**	(23,501)
Balance at end of year	**$**	**95,236**	100,475

h. *Future policy benefits and expenses*

Future policy benefit reserves for traditional life insurance are established based on methods and underlying assumptions in accordance with U.S. GAAP and applicable actuarial standards. Assumptions as to investment yields, expenses, mortality and lapses are based upon our experience, modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviations.

The accrued account balance for non-traditional life insurance and investment contracts is computed as deposits net of withdrawals made by the contract holder, plus amounts credited based on contract specifications, less contract fees and charges assessed, plus any additional interest. Annuity interest crediting rates range from 2.5% to 5.5% annually. Benefits and expenses are charged against the account balance to recognize costs as incurred over the estimated lives of the contracts. Expenses include interest credited to contract account balances and benefits paid in excess of contract account balances.

The liability for incurred but not reported claims includes estimates for additional claim amounts due related to reported claims. Liabilities for unpaid claims are estimated using individual case basis valuations and statistical analysis. Those estimates are subject to the effects of trends in claim severity and frequency.

The development of liabilities for future policy benefits requires management to make estimates and assumptions regarding mortality, persistency, expense, and investment experience based primarily on historical experience and future expectations of those assumptions. Actual results could differ materially from estimates. An additional provision is made on most products to allow for possible adverse deviation from the assumptions assumed. We monitor actual experience and revise assumptions as necessary.

i. *Participating policies*

Participating business was approximately 91.0% and 91.5% of direct life insurance in force in 2021 and 2020, respectively.

Future policy benefits on participating policies are estimated based on net level premium reserves for death and endowment policy benefits with interest rates ranging from 2.5% to 9.0%, and the cash surrender values described in such contracts. The scaling rate used for the 2021 portfolio ranged between 2.51% for 1 year and going up to 3.02% over 20 years and remaining there for the duration. Earnings and dividends on participating policies are allocated based on policies in force.

Policyholder dividends are determined based on the discretion of the Board of Directors of the Company. Policyholder dividends are accrued over the premium paying periods of the insurance contract.

j. *Contingencies*

An estimated loss from a contingency is accrued and charged to results of operations only if both of the following conditions are met:

1. Information available prior to the issuance of the financial statements indicates that it is probable (virtual certainty is not required) that an asset has been impaired, or a liability incurred as of the date of the financial statements; and
2. The amount of the loss can be reasonably estimated.

Reasonable estimation of a possible loss does not require estimating a single amount of the loss. It requires that a loss be accrued if it can be estimated within a range. If an amount within the range is a better estimate than any other amount within the range, that amount is accrued. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is accrued.

A gain contingency is an uncertain situation that will be resolved in the future, possibly resulting in a gain. We do not allow the recognition of a gain contingency prior to settlement of the underlying event. There were none for the years ended December 31, 2021, and 2020.

k. *Premium revenue and related expenses*

Premiums on life policies are recognized as earned when due. Premiums paid in advance on the balance sheets are held on deposit and accrue interest at rates ranging from 2.50% to 6.00% until such time as the premiums become due. Benefits and expenses are associated with earned premiums so as to result in the recognition of profits over the estimated lives of the contracts. This matching is accomplished by means of a provision for future policy benefits and the capitalization and amortization of deferred policy acquisition costs.

Annuity policies, primarily flexible premium fixed annuity products, are accounted for in a manner consistent with accounting for interest bearing financial instruments. Premium receipts are not reported as revenue, rather as deposit liabilities to annuity contracts. The annuity products issued do not include fees or other such charges.

l. *Income taxes*

At present, no taxes are levied in Bermuda on the Company’s receipts, dividends, capital gains, gifts or net profit. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until March 31, 2035.

CICA Ltd. is considered a controlled foreign corporation for United States federal tax purposes. As a result, the income of the Company is currently taxable to Citizens under the Subpart F of the Internal

Revenue Code. The income tax amount of zero in these financial statements has been calculated based on a separate return methodology and presented as if each company was a separate taxpayer in its respective jurisdiction.

m. *Accounting pronouncements*

Accounting standards recently adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses (Topic 326)*, with the main objective to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The ASU requires a financial asset (or a group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the increases or decreases of expected credit losses that have taken place during the period. Credit losses on AFS fixed maturity securities should be measured in a manner similar to current U.S. GAAP; however, the credit losses are recorded through an allowance for credit losses rather than as a write-down. This approach is an improvement to prior U.S. GAAP because an entity will be able to record reversals of credit losses (in situations in which the estimate of credit losses declines) in current period net income, which in turn should align the income statement recognition of credit losses with the reporting period in which changes occur. Prior U.S. GAAP prohibited reflecting those improvements in current-period earnings. The Company adopted this standard effective January 1, 2020 using the modified retrospective approach. The adoption resulted in an decrease in accumulated retained earnings of $0.1 million related to agents' debit balance collectability.

In September 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs -Incurred in a Cloud Computing Arrangement That is a Service Contract*. This ASU requires an entity in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to follow the internal-use software guidance in Accounting Standards Codification 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. Capitalized implementation costs should be presented in the same line item on the balance sheet as amounts prepaid for the hosted service, if any (generally as an "other asset"). The capitalized costs will be amortized over the term of the hosting arrangement, with the amortization expense being presented in the same income statement line item as the fees paid for the hosted service. We adopted this standard effective January 1, 2020. The adoption had no impact on our financial statements.

Accounting standards not yet adopted

In August 2018, the FASB issued ASU 2018-12, *Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. This ASU amends four key areas of the accounting and impacts disclosures for long-duration insurance and investment contracts:

- *Requires updated assumptions for liability measurement.* Assumptions used to measure the liability for traditional insurance contracts, which are typically determined at contract inception, will now be reviewed at least annually, and, if there is a change, updated, with the effect recorded in net income;

- *Standardizes the liability discount rate.* The liability discount rate will be a market-observable discount rate (upper-medium grade fixed-income instrument yield), with the effect of rate changes recorded in other comprehensive income;

- *Provides greater consistency in measurement of market risk benefits.* The two previous measurement models have been reduced to one measurement model (fair value), resulting in greater uniformity across similar market-based benefits and better alignment with the fair value measurement of derivatives used to hedge capital market risk;

- *Simplifies amortization of DAC.* Previous earnings-based amortization methods have been replaced with a more level amortization basis; and

- *Requires enhanced disclosures.* The new disclosures include rollforwards and information about significant assumptions and the effects of changes in those assumptions.

For calendar-year public companies, the changes will be effective on January 1, 2023, however, early adoption is permitted. We will adopt this ASU effective January 1, 2023, with a transition date of January 1, 2021, using a modified retrospective approach. We continue to make progress in our implementation process that includes, but is not limited to, making significant accounting policy decisions, employing appropriate internal controls, building and updating actuarial models and systems, revising reporting processes and developing informative qualitative and quantitative disclosures. In 2022, we will begin the process of recording our transition adjustments and restating applicable periods. We are currently evaluating the impact of adopting this ASU on our financial condition and results of operations and will be able to better assess the effects as we progress with our implementation efforts. While it is not possible to estimate the expected impact of adoption at this time, the Company believes there is a reasonable possibility that implementation of this ASU may result in a material impact to accumulated other comprehensive income and future earnings patterns.

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

3. Investments

The Company invests primarily in fixed maturity securities, which totaled 87.2% of total cash, cash equivalents and investments at December 31, 2021.

	Carrying Value as of December 31			
(In USD thousands, except for %)	**2021**	**%**	**2020**	**%**
Cash and invested assets:				
Fixed maturities available-for-sale	**$ 972,081**	**87.2 %**	$ 975,695	89.5 %
Equity securities	**5,680**	**0.5 %**	5,872	0.5 %
Other long-term investments	**56,038**	**5.0 %**	18,135	1.7 %
Policy loans	**69,611**	**6.2 %**	72,444	6.6 %
Cash and cash equivalents	**11,780**	**1.1 %**	18,528	1.7 %
Total cash and invested assets	**$ 1,115,190**	**100.0 %**	$ 1,090,674	100.0 %

Credit ratings reported for the periods indicated are assigned by a Nationally Recognized Statistical Rating Organization ("NRSRO") such as Standard & Poor's, Moody's Investors Service ("Moody's") and Fitch

Ratings ("Fitch"). The Company uses the Standard and Poor's rating, unless not rated by that NRSRO and then either the Moody's or Fitch rating is used. A credit rating assigned by a NRSRO is a quality-based rating, with AAA representing the highest quality and D the lowest, with BBB and above being considered investment grade. The following table shows the distribution of the credit ratings of our portfolio of AFS fixed maturity securities:

	December 31, 2021		
(In USD thousands, except for %)	**Amortized Cost**	**Fair Value**	**% of Total Fair Value**
AFS fixed maturity securities:			
AAA	**$ 11,236**	**11,978**	**1.2 %**
AA	**257,305**	**280,175**	**28.8 %**
A	**249,914**	**273,964**	**28.2 %**
BBB	**358,926**	**389,634**	**40.1 %**
	877,381	**955,751**	**98.3 %**
BB or below	**12,851**	**13,480**	**1.4 %**
Not rated	**2,744**	**2,850**	**0.3 %**
	15,595	**16,330**	**1.7 %**
Total AFS fixed maturity securities	**$ 892,976**	**972,081**	**100.0 %**

	December 31, 2020		
(In USD thousands, except for %)	**Amortized Cost**	**Fair Value**	**% of Total Fair Value**
AFS fixed maturity securities:			
AAA	$ 10,240	10,614	1.1 %
AA	265,264	294,786	30.2 %
A	257,469	291,787	29.9 %
BBB	321,538	362,725	37.2 %
	854,511	959,912	98.4 %
BB or below	13,186	12,898	1.3 %
Not rated	2,786	2,885	0.3 %
	15,972	15,783	1.6 %
AFS fixed maturity securities:	$ 870,483	975,695	100.0 %

The amortized cost, gross unrealized gains and losses and fair value of investments in AFS fixed maturity securities are as follows:

	December 31, 2021			
(In USD thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
AFS fixed maturity securities:				
U.S. Treasury securities	$ **566**	**36**	**—**	**602**
States and political subdivisions	**226,591**	**18,648**	**500**	**244,739**
Corporate				
Financial	**141,079**	**11,047**	**818**	**151,308**
Consumer	**151,233**	**15,455**	**158**	**166,530**
Energy	**55,954**	**5,326**	**43**	**61,237**
All Other	**206,851**	**18,776**	**844**	**224,783**
Residential mortgage-backed	**84,742**	**11,865**	**—**	**96,607**
Other loan-backed and structured securities	**25,858**	**307**	**—**	**26,165**
Other foreign governments	**102**	**8**	**—**	**110**
Total AFS fixed maturity securities	$ **892,976**	**81,468**	**2,363**	**972,081**

	December 31, 2020			
(In USD thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
AFS fixed maturity securities:				
U.S. Treasury securities	$ 571	72	—	643
States and political subdivisions	242,702	21,628	330	264,000
Corporate				
Financial	140,430	21,017	14	161,433
Consumer	123,973	14,407	244	138,136
Energy	59,423	5,830	459	64,794
All Other	191,002	27,203	42	218,163
Residential mortgage-backed	84,572	15,953	—	100,525
Other loan-backed and structured securities	27,708	259	84	27,883
Other foreign governments	102	16	—	118
Total AFS fixed maturity securities	$ 870,483	106,385	1,173	975,695

The Company's equity securities consist of common and non-redeemable preferred stocks.

		Fair Value as of December	
(In USD thousands)		**2021**	**2020**
Equity securities:			
Common stock	$	**618**	722
Non-redeemable preferred stock fund		**5,062**	5,150
Total equity securities	$	**5,680**	5,872

VALUATION OF INVESTMENTS

AFS fixed maturity securities are reported in the financial statements at fair value. Equity securities are measured at fair value with the change in fair value recorded through net income. The Company recognized net realized gains of $0.2 million and $1.6 million on equity securities held for the years ended December 31, 2021 and December 31, 2020, respectively.

The Company monitors all AFS fixed maturity securities on an on-going basis relative to changes in credit ratings, market prices, earnings trends and financial performance, in addition to specific region or industry reviews. The Company evaluates whether a credit impairment exists for fixed maturity securities by considering primarily the following factors: (a) changes in the financial condition of the security's underlying collateral; (b) whether the issuer is current on contractually obligated interest and principal payments; (c) changes in the financial condition, credit rating and near-term prospects of the issuer; and (d) the payment structure of the security. The Company's best estimate of expected future cash flows used to determine the credit loss amount is a quantitative and qualitative process. Quantitative review includes information received from third-party sources such as financial statements, pricing and rating changes, liquidity and other statistical information. Qualitative factors include judgments related to business strategies, economic impacts on the issuer, overall judgment related to estimates and industry factors as well as the Company's intent to sell the security, or if it is more likely than not that the Company would be required to sell a security before recovery of its amortized cost.

The Company's best estimate of future cash flows involves assumptions including, but not limited to, various performance indicators, such as historical and projected default and recovery rates, credit ratings, and current delinquency rates. These assumptions require the use of significant management judgment and include the probability of issuer default and estimates regarding timing and amount of expected recoveries, which may include estimating the underlying collateral value. In addition, projections of expected future fixed maturity security cash flows may change based upon new information regarding the performance of the issuer. Any credit losses are presented as an allowance rather than as a write-down on AFS fixed maturity securities management does not intend to sell or believes that it is more likely than not we will be required to sell.

The Company adopted ASU 2016-13 using the prospective transition approach for fixed maturity securities for which other-than-temporary impairment had been recognized prior to January 1, 2020. As a result, the amortized cost remains the same before and after adoption. The effective interest rate on these fixed maturity securities was not changed. Amounts previously recognized in accumulated other comprehensive income as of January 1, 2020 relating to improvements in cash flow expected to be collected will be accreted into income over the remaining life of the asset. Recoveries of amounts previously written off relating to improvements in cash flows after January 1, 2020 will be recorded in earnings when received.

The Company recorded no credit valuation losses on fixed maturity securities for the years ended December 31, 2021 and 2020.

For AFS fixed maturity securities that have unrealized losses as of December 31, 2021 and 2020, the gross unrealized losses that have been in a continuous unrealized loss position for less than 12 months, gross unrealized losses that have been in a continuous unrealized loss position for 12 months or longer and fair value are as follows:

	December 31, 2021								
	Less than 12 months			Greater than 12 months			Total		
(In USD thousands, except for # of securities)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
AFS fixed maturity securities:									
States and political subdivisions	$ 14,218	500	7	—	—	—	14,218	500	7
Corporate									
Financial	5,541	72	4	1,227	86	1	6,768	158	5
Consumer	26,088	695	16	2,419	123	1	28,507	818	17
Energy	5,242	43	3	—	—	—	5,242	43	3
All Other	26,383	640	11	2,442	204	1	28,825	844	12
Other loan-backed and structured securities	4,300	—	1	—	—	—	4,300	—	1
Total AFS fixed maturity securities	$ 81,772	1,950	42	6,088	413	3	87,860	2,363	45

	December 31, 2020								
	Less than 12 months			Greater than 12 months			Total		
(In USD thousands, except for # of securities)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
AFS fixed maturity securities:									
States and political subdivisions	$ 22,168	330	12	—	—	—	22,168	330	12
Corporate									
Financial	1,308	14	1	—	—	—	1,308	14	1
Consumer	10,740	229	5	1,667	15	1	12,407	244	6
Energy	5,089	459	4	—	—	—	5,089	459	4
All Other	6,411	42	3	—	—	—	6,411	42	3
Other loan-backed and structured securities	14,078	83	5	995	1	1	15,073	84	6
Total AFS fixed maturity securities	$ 59,794	1,157	30	2,662	16	2	62,456	1,173	32

In each category of our fixed maturity securities described below, we do not intend to sell our investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases. While the losses are currently unrealized, we continue to monitor all fixed maturity securities on an on-going basis as future information may become available which could result in an allowance being recorded.

We do not recognize credit losses on securities with unrealized losses that were due to interest rate sensitivity and changes in credit spreads. We believe that the fluctuations caused by movements in interest rates and credit spreads have little bearing on the recoverability of our investments. The fair value is expected to recover as the securities approach maturity.

The amortized cost and fair value of AFS fixed maturity securities at December 31, 2021 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date have been reflected based upon the final stated maturity.

(In USD thousands)		**Amortized Cost**	**Fair Value**
AFS fixed maturity securities:			
Due in one year or less	$	**12,665**	**12,933**
Due after one year through five years		**62,834**	**67,636**
Due after five years through ten years		**132,211**	**142,464**
Due after ten years		**685,266**	**749,048**
Total AFS fixed maturity securities	$	**892,976**	**972,081**

The Company had no investments in one entity which exceeded 10% of stockholder’s equity at December 31, 2021 and 1 investment in one entity which exceeded 10% of stockholder's equity at December 31, 2020. In addition, there were no investments that were non-income producing for the years ended December 31, 2021 or 2020.

Major categories of net investment income are summarized as follows:

(In USD thousands)		**2021**	**2020**
Investment income:			
Fixed maturities available-for-sale	$	**36,683**	35,593
Equity securities		**296**	249
Policy loans		**5,602**	5,756
Other long-term investments		**802**	225
Other		**18**	41
Total investment income		**43,401**	41,864
Investment expenses		**(1,647)**	(1,499)
Net investment income	$	**41,754**	40,365

The Company uses the specific identification method of the individual security to determine the cost basis used in the calculation of realized gains and losses related to security sales.

(In USD thousands)		**2021**	**2020**
Proceeds	$	**—**	7,497
Gross realized gains	$	**—**	—
Gross realized losses	$	**—**	67

We sold 0 and 4 fixed maturities securities from our available-for-sale portfolio in 2021 and 2020, respectively, as part of our investment strategy recommended by our asset manager. We did not sell any equity securities in 2021 or 2020.

Investment related gains (losses) for the years ended December 31, 2021 and 2020 are as follows:

(In USD thousands)		2021	2020
Investment related gains (losses):			
Realized investment gains (losses)	$	**1,793**	(177)
Change in fair value of equity securities		**(192)**	1,612
Change in fair value of limited partnerships		**7,452**	—
Change in credit loss allowance		**130**	—
Investment related gains (losses), net	$	**9,183**	1,435

4. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fixed maturities AFS are carried at fair value. We also report our equity securities and certain other long-term investments at fair value with changes in fair value reported through the statement of operations and comprehensive income (loss).

Fair value measurements are generally based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our view of market assumptions in the absence of observable market information. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. All assets and liabilities carried at fair value are required to be classified and disclosed in one of the following three categories:

- Level 1 - Quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs or whose significant value drivers are observable.
- Level 3 - Instruments whose significant value drivers are unobservable.

Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as U.S. Treasury securities and actively traded mutual fund and stock investments.

Level 2 includes those financial instruments that are valued by independent pricing services or broker quotes. These pricing models are primarily industry-standard models that consider various inputs, such as interest rates, credit spreads and foreign exchange rates for the underlying financial instruments. All significant inputs are observable or derived from observable information in the marketplace or are supported by observable levels at which transactions are executed in the marketplace. Financial instruments in this category primarily include corporate securities, U.S. Government-sponsored enterprise securities, securities issued by states and political subdivisions and certain mortgage and asset-backed securities.

Level 3 is comprised of financial instruments whose fair value is estimated based on non-binding broker prices utilizing significant inputs not based on or corroborated by readily available market information.

We review the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets. Such reclassifications are reported as transfers in and out of Level 3 at the beginning fair value for the reporting period in which the changes occur. There were no transfers in or out of Level 3 during the years ended December 31, 2021 and 2020.

The following table sets forth our assets and liabilities that are measured at fair value on a recurring basis as of the date indicated.

	December 31, 2021		
(In USD thousands)	**Level 1**	**Level 2**	**Total Fair Value**
Financial assets:			
Fixed maturities available-for-sale:			
U.S. Treasury securities	$ **602**	**—**	**602**
States and political subdivisions	**—**	**244,739**	**244,739**
Corporate	**—**	**603,858**	**603,858**
Residential mortgage-backed	**—**	**96,607**	**96,607**
Other loan-backed and structured securities	**—**	**26,165**	**26,165**
Other foreign governments	**—**	**110**	**110**
Total fixed maturities available-for-sale	**602**	**971,479**	**972,081**
Equity securities:			
Common stock	**618**	**—**	**618**
Non-redeemable preferred stock fund	**5,062**	**—**	**5,062**
Total equity securities	**5,680**	**—**	**5,680**
Other long-term investments[(1)]	**—**	**—**	**56,038**
Total financial assets	$ **6,282**	**971,479**	**1,033,799**

[(1)] In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet.

	December 31, 2020		
(In USD thousands)	**Level 1**	**Level 2**	**Total Fair Value**
Financial assets - fixed maturities available-for-sale:			
U.S. Treasury securities	$ 643	—	643
States and political subdivisions	—	264,000	264,000
Corporate	—	582,526	582,526
Residential mortgage-backed	—	100,525	100,525
Other loan-backed and structured securities	—	118	118
Other foreign governments	—	27,883	27,883
Total financial assets - fixed maturities available-for-sale	643	975,052	975,695
Equity securities:			
Common stock	722	—	722
Non-redeemable preferred stock fund	5,150	—	5,150
Total equity securities	5,872	—	5,872
Other long-term investments[1]	—	—	11,923
Total financial assets	$ 6,515	975,052	993,490

[1] In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet.

FINANCIAL INSTRUMENTS VALUATION

Fixed maturities available-for-sale valuation. At December 31, 2021, the AFS fixed maturity securities, valued using a third-party pricing source, totaled $971.5 million for Level 2 assets and comprised 94.0% of total reported fair value of our financial assets. The Level 1 and Level 2 valuations are reviewed and validated quarterly through random testing by comparisons to separate pricing models, other third-party pricing services, and back tested to recent trades. In addition, we obtain information relative to the third-party pricing models and review model parameters for reasonableness. There were no Level 3 assets as of December 31, 2021 and 2020. For the year ended December 31, 2021, there were no material changes to the valuation methods or assumptions used to determine fair values, and no broker or third-party prices were changed from the values received.

Equity securities. Our equity securities are classified as Level 1 assets as their fair values are based upon quoted market prices.

Limited partnerships. The Company considers the net asset value ("NAV") to represent the value of the investment fund and is measured by the total value of assets minus the total value of liabilities. The following table includes information related to our investments in limited partnerships that calculate NAV per share.

For these investments, which are measured at fair value on a recurring basis, we use the NAV per share to measure fair value. These investments are included in other long-term investments on the balance sheets.

		December 31, 2021			**December 31, 2020**		
(In USD thousands, except years)	**Description**	**Fair Value Using NAV Per Share**	**Unfunded Commit-ments**	**Remaining life (in years)**	**Fair Value Using NAV Per Share**	**Unfunded Commit-ments**	**Remaining life (in years)**
Limited Partnerships							
Middle market	Investments in privately-originated, performing senior secured debt primarily in North America-based companies	**$21,947**	**18,712**	**10**	$10,542	29,783	10
Global equity fund	Investments in common stocks of U.S., international developed and emerging markets with a focus on long-term capital growth	**10,607**	**—**	**—**	—	—	—
Term liquidity facility	Investments in a facility established by the U.S. Federal Reserve that provides financing to U.S. company market participants for levered asset purchases with a focus on asset-backed, commercial mortgage and collateralized loan obligation markets	**—**	**—**	**0**	1,381	—	3
Late-stage growth	Investments in private late-stage, established companies seeking capital to accelerate growth prior to an IPO or sale	**20,468**	**4,459**	**6**	—	16,291	7
Infrastructure	Investments in climate infrastructure assets, focusing on renewable power generation in wind and solar energy	**3,016**	**16,653**	**12**	—	17,497	12
Total limited partnerships funds		**$56,038**	**39,824**		**$11,923**	**63,571**	

The majority of our limited partnership investments are not redeemable because distributions from the funds will be received when the underlying investments of the funds are liquidated. The life spans indicated above may be shortened or extended at the fund manager's discretion, typically in one or two-year increments. The global equity fund is redeemable monthly.

Financial instruments not carried at fair value

Estimates of fair values are made at a specific point in time, based on relevant market prices and information about the financial instruments. The estimated fair values of financial instruments presented below are not necessarily indicative of the amounts the Company might realize in actual market transactions.

The carrying amount and fair value for the financial assets and liabilities on the balance sheet not otherwise disclosed for the periods indicated were as follows:

		December 31, 2021		December 31, 2020	
(In USD thousands)		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:					
Policy loans	$	**69,611**	**69,611**	72,444	72,444
Cash and cash equivalents		**11,780**	**11,780**	18,528	18,528
Financial liabilities:					
Annuities - investment contracts		**23,722**	**26,346**	21,337	24,375

Policy loans. Policy loans had a weighted average annual interest rate of 7.5% at both December 31, 2021 and 2020 and no specified maturity dates. The aggregate fair value of policy loans approximates the carrying value reflected on the balance sheets. Policy loans are an integral part of the life insurance policies we have in force, cannot be valued separately and are not marketable. Therefore, the fair value of policy loans approximates the carrying value and policy loans are considered Level 3 assets in the fair value hierarchy.

Other. The fair value of cash and cash equivalents approximate carrying value and are characterized as Level 1 assets in the fair value hierarchy.

Annuity liabilities. The fair value of the Company's liabilities under annuity contract policies, which are considered Level 3 liabilities, was estimated at December 31, 2021 and 2020 using discounted cash flows based upon spot rates adjusted for various risk adjustments ranging from 0.50% to 2.63% and 0.22% to 2.34%, respectively. The fair value of liabilities under all insurance contracts are taken into consideration in the overall management of interest rate risk, which seeks to minimize exposure to changing interest rates through the matching of investment maturities with amounts due under insurance contracts.

5. Policy Liabilities

Various assumptions used to determine the future policy benefit reserves of life insurance include valuation interest rates, mortality assumptions and withdrawals.

The following table presents information on changes in the liability for life claims for the years ended December 31, 2021 and 2020.

(In USD thousands)		2021	2020
Policy claims payable, beginning of year	$	**1,823**	2,002
Less: reinsurance recoverable		**(37)**	(751)
Net balance		**1,786**	1,251
Add claims incurred, related to:			
Current year		**5,894**	3,750
Prior years[1]		**(323)**	388
		5,571	4,138
Deduct claims paid, related to:			
Current year		**4,258**	2,344
Prior years		**971**	1,259
		5,229	3,603
Net balance, December 31		**2,128**	1,786
Plus: reinsurance recoverable		**360**	37
Policy claims payable, end of year	$	**2,488**	1,823

[1] This line is primarily impacted by the level of claim resolutions in the period compared to that which is expected by the reserve assumption. A positive number implies an unfavorable result where claim resolutions were less favorable than assumed while a negative number implies a favorable result compared to assumptions. Our claim assumptions will vary from actual experience in any one period, either favorably or unfavorably.

6. Reinsurance

In the normal course of business, the Company reinsures portions of certain policies that we underwrite to limit disproportionate risks. During 2021 and 2020, 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 the reinsurance treaties.

Our amounts recoverable from reinsurers represent receivables from and reserves ceded to reinsurers. We obtain reinsurance from multiple reinsurers, and we monitor concentration as well as financial strength ratings of our principal reinsurers. The ratings by A.M. Best Company of our reinsurers range from A (Excellent) to A+ (Superior).

Direct and ceded life reinsurance activity as of December 31, 2021 and 2020 is summarized as follows:

(In USD thousands)		December 31, 2021	December 31, 2020
Aggregate direct life insurance in force	$	**2,876,441**	2,928,711
Aggregate ceded life insurance in force		**407,425**	414,512
Net life insurance in force	$	**2,469,016**	2,514,199

The Company's reinsurance recoveries on ceded reinsurance were $2.6 million and $2.0 million at December 31, 2021 and 2020, respectively.

Premiums direct and ceded and claims and surrenders ceded for all lines of business are summarized as follows:

(In USD thousands)		**2021**	**2020**
Premiums from long-duration contracts:			
Direct	$	**123,898**	127,529
Ceded		**(1,671)**	(2,120)
Total premiums earned	$	**122,227**	125,409
Claims and surrenders ceded	$	**(1,069)**	(733)

7. Share Capital

The authorized and issued share capital of the Company is $250,000 divided into 250,000 ordinary shares, par value $1 each.

The Company has statutory stockholder's equity of $141.9 million and $158.4 million at December 31, 2021 and 2020, respectively. In addition, the Company's statutory net income was $14.0 million and $9.0 million for the years ended December 31, 2021 and 2020, respectively.

8. Commitments and Contingencies

From time to time, we are subject to legal and regulatory actions relating to our business. We defend all claims vigorously. As a result, we incur defense costs, including attorneys' fees, other direct litigation costs and the expenditure of management time that otherwise would be devoted to our business. If we suffer an adverse judgment as a result of litigation claims, it could have a material adverse effect on our business, results of operations and financial condition.

The Company has a lease commitment for office space in Bermuda that expires on August 31, 2024. Minimum lease payment under this commitment for the year 2021 is $43 thousand. Other general expenses include total rental expense for the years 2021 and 2020 of $0.9 million and $0.7 million, respectively.

As of December 31, 2021, the Company is committed to fund investments up to $39.8 million related to limited partnership investments.

9. Other Operating Information

The following table sets forth the Company's annual total of earned premiums by geographic area:

(In USD thousands)		2021	2020
Area:			
Colombia	**$**	**24,829**	25,783
Taiwan		**19,042**	19,078
Venezuela		**17,788**	19,956
Ecuador		**13,115**	13,301
Argentina		**9,160**	9,175
Other foreign countries		**39,964**	40,236
Net reinsurance		**(1,671)**	(2,120)
Total	**$**	**122,227**	125,409

10. Statutory Requirements

Under the Bermuda Insurance Act 1978, an insurer is prohibited from declaring or paying a dividend if it is in breach of its Enhanced Capital Requirement (“ECR”) or Minimum Margin of Solvency (“MSM”) or if the declaration or payment of such dividend would cause such a breach. Where an insurer fails to meet its MSM on the last day of any financial year, it is prohibited from declaring or paying any dividends during the next financial year without the approval of the Bermuda Monetary Authority (the “BMA” or the "Authority"). Insurers are also prohibited from paying a dividend in an amount exceeding 25% of the prior year’s total statutory capital and surplus, unless at least two members of the board of directors and its principal representative sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause such insurer to fail to meet its relevant margins. In certain instances, the insurer would also be required to provide prior notice to the BMA in advance of the payment of dividends.

In the event that such an affidavit is submitted to the BMA in accordance with the Bermuda Insurance Act 1978, and further subject to the Company meeting its MSM and ECR requirements, CICA Ltd. would be permitted to distribute a dividend not exceeding 25% of its prior year's total statutory capital and surplus. Distributions in excess of this amount require the approval of the BMA. Further, CICA Ltd. must obtain the BMA’s prior approval before reducing its total statutory capital as shown in its previous financial year statutory balance sheet by 15% or more. CICA Ltd. is also prohibited from declaring or paying any dividends unless the value of its long-term business assets exceeds its long-term business liabilities, as certified by its approved actuary, by the amount of the dividend and at least the MSM. These restrictions on declaring or paying dividends and distributions under the Bermuda Insurance Act 1978 are in addition to those under Bermuda’s Companies Act 1981 which apply to all Bermuda companies. The Company met all requirements of the Bermuda Insurance Act 1978 at December 31, 2021 and 2020. Also, based upon these rules, CICA Ltd. can pay a dividend of $4.5 million without prior regulatory approval in 2022. However, the BMA has requested that CICA Ltd. notify the Authority in advance of any potential dividend payments and any intercompany related payments or transactions.

The BMA established risk-based regulatory capital adequacy and solvency margin requirements for Bermuda insurers that mandate that a Bermuda-domiciled subsidiary's ECR be calculated by either: (a) Bermuda Solvency Capital Requirement ("BSCR"); or (b) an internal capital model that the BMA has approved for use for this purpose. CICA International uses the BSCR in calculating its solvency requirements. The Economic Balance Sheet ("EBS") framework is embedded as part of the BSCR and forms the basis of its ECR. CICA International held capital in excess of the BSCR requirements at December 31, 2021. At the request of the BMA, on April 15, 2021, Citizens and CICA International entered into a Keep Well Agreement. The Keep Well Agreement requires Citizens to contribute up to $10 million in capital to CICA International as necessary to ensure that CICA International has a minimum capital level of 120% (equal to the TCL). Since CICA International's capital level currently exceeds 120%, Citizens is not currently required to make a capital contribution.

The Company, as a licensed Class E Long term insurer under the Bermuda Insurance Act 1978, is required to maintain a minimum statutory solvency margin equal to the greater of MSM and a percentage of the ECR. The MSM is equal to the greater of (i) $8 million, (ii) 2% of the first $500 million of assets plus 1.5% of assets above $500 million, which is $21.0 million for the Company as at December 31, 2021, or (iii) 25% of ECR, which is $10.3 million for the Company as at December 31, 2021 (calculated as ECR of $41.2 million x 25%). The Company's statutory capital and surplus of $141.9 million as at December 31, 2021, exceeds the MSM of $21.0 million.

11. Related Party Transactions

For the years ended December 31, 2021 and 2020, included in other liabilities is an amount of $1.4 million and $1.3 million, respectively, relating to accrued cost sharing fees payable to Citizens, for certain services provided to the Company at agreed costs and fees pursuant to a services agreement. As part of the service agreement, Citizens was given the authority to perform the following services respecting all accounts and the insurance business of the Company, such as: new application underwriting, claims management, policyowner service, support services for independent marketing consultants, actuarial assistance, policy accounting, commission accounting, investment accounting, general accounting and routine data processing. The consideration for the services to be performed includes a monthly fee equal to Citizens' actual expenses of providing the service, with the exception of the actuarial and underwriting support functions, which include a 12.5% cost markup. The service agreement specifies a minimum monthly consideration of $8 thousand. Amounts expensed in the year amounted to $14.2 million in 2021 and $13.7 million in 2020.

Citizens Certain Payments Following Change in Control

For over 30 years, the Harold E. Riley Trust (the “Trust”), a trust controlled by our founder, Harold E. Riley, and his family, was the beneficial owner of 100% of Citizens Class B common stock. The Trust documents provided that upon Mr. Riley's death, which occurred in 2017, the Class B common stock would transfer from the Trust to the Harold E. Riley Foundation (the “Foundation”). Because Citizens' insurance subsidiaries are regulated entities, the transfer required regulatory approval by the insurance regulators of Colorado, Louisiana, Mississippi and Texas, the states in which Citizens' insurance subsidiaries are domiciled. On July 29, 2020, the final approval was obtained. Because the Class B common stock elects a simple majority of the Board of Directors of Citizens, the transfer of the shares from the Trust to the Foundation constituted a change in control of Citizens.

Following the change in control of Citizens, Citizens' then Chief Executive Officer, Geoffrey Kolander, resigned from his position as Chief Executive Officer and President and as a member of the Board of

Directors of Citizens, and terminated the Employment Agreement by and between the Citizens and Mr. Kolander dated January 1, 2019 (the “2019 Employment Agreement”) due to the change in control. Pursuant to Sections 6(g) and (h) of the 2019 Employment Agreement, Mr. Kolander was entitled to a cash severance amount of $8.8 million, less required withholdings and deductions. Additionally, all outstanding Restricted Stock Units held by Mr. Kolander were fully vested on August 5, 2020, the effective date of his resignation. In accordance with the 2019 Employment Agreement, the cash severance amount was paid on February 8, 2021. These amounts were expensed by Citizens in 2020.

To assist in the orderly transition of his duties and responsibilities, Mr. Kolander entered into a Separation and Consulting Agreement with Citizens. Under the Separation and Consulting Agreement, Mr. Kolander agreed to provide leadership transition guidance and business continuity assistance to Citizens as a consultant, for up to 14 hours per week, after the separation date through March 9, 2021. Mr. Kolander was paid at a rate of $14,000 per week. The above summary of the Separation and Consulting Agreement is qualified by reference in its entirety to the Separation and Consulting Agreement, which was filed as an exhibit to Citizens Current Report on Form 8-K filed on July 30, 2020.

Gerald W. Shields, the Vice Chairman of the Board of Directors of Citizens, was appointed Interim Chief Executive Officer and President effective August 5, 2020. On Such date, Citizens entered into a Consulting Agreement with Mr. Shields (the “Consulting Agreement”), pursuant to which Mr. Shields provides consulting services to function as Interim Chief Executive Officer and President of Citizens until a permanent Chief Executive Officer is hired by Citizens. Pursuant to the Consulting Agreement, Mr. Shields was paid a consulting fee of $14,500 per week in 2020, a bonus of $125,000 for service performed in 2020, and in 2021, the Consulting Agreement was amended to provide a weekly payment of $15,500. The Consulting Agreement was terminated when Mr. Shields became the permanent Chief Executive Officer effective January 1, 2022.

12. Concentration of Credit Risk

The Company is a party to financial instruments with a concentration of credit risk in the normal course of business. The creditworthiness of any counterparty is evaluated by the Company, taking into account credit ratings assigned by rating agencies. The credit approval process involves an assessment of factors including, among others, the counterparty and country and industry credit exposure limits. Collateral may be required, at the discretion of the Company, on certain transactions based on the creditworthiness of the counterparty and the nature of the transaction. The areas where significant concentrations of credit risk may exist include fixed maturity securities and reinsurance balances receivable (collectively, “reinsurance assets”). For reinsurance assets, the risk of loss is mitigated by the Company’s ability to offset amounts owed to the ceding company with the amounts owed to the Company by the ceding company. Mitigating factors include using financially sound custodians, investment grade collateral with further investment guidelines governing the quality of the portfolio, ceding companies with high credit ratings, and the ability to offset amounts owed to ceding companies with amounts due from them.

AFS Fixed Maturity Securities

The Company’s investments are managed following prudent standards of diversification. The Company attempts to limit its credit exposure by purchasing a diversified pool of high-quality fixed maturity securities to maintain an average investment grade portfolio that can be pledged as collateral or support retained earnings.

13. Subsequent Events

The Company has evaluated the recognition and disclosure of subsequent events through April 22, 2022, the date the financial statements were available to be issued and determined no significant subsequent events need to be recognized or disclosed.