CICA Life Ltd.

Consolidated Financial Statements as of and for the Years Ended December 31, 2022 and 2021, 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

Qualified opinion
We have audited the consolidated financial statements of CICA Life Ltd. (a Bermuda exempted company) (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the effects on the 2022 consolidated financial statements of stating available for sale fixed maturity investments at amortized cost as described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for qualified opinion
The Company has stated available for sale fixed maturity investments at amortized cost in the accompanying December 31, 2022 consolidated balance sheet. Accounting principles generally accepted in the United States of America require available for sale fixed maturity investments to be stated at fair value. If the Company stated available for sale fixed maturity investments at fair value, available for sale fixed maturity investments, total assets, accumulated other comprehensive income, and total stockholder's equity would each be reduced by approximately $145.8 million as of December 31, 2022, and comprehensive loss would be increased by $145.8 million for the year then ended.

We conducted our audits of the consolidated 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and

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maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Grant Thornton LLP

Miami, Florida
April 24, 2023

CICA Life Ltd.
Consolidated Balance Sheets
As of December 31, 2022 and 2021

(In USD thousands)		2022	2021
Assets			
Investments:			
Fixed maturities available-for-sale, at amortized cost in 2022 and fair value in 2021 (fair value in 2022 - $780,531; amortized cost - $892,976 in 2021)	$	**926,328**	972,081
Equity securities, at fair value		**4,293**	5,680
Other long-term investments (portion measured at fair value $66,846 and $56,038 in 2022 and 2021, respectively)		**69,294**	56,038
Policy loans		**67,902**	69,611
Total investments		**1,067,817**	1,103,410
Cash and cash equivalents		**12,217**	11,780
Accrued investment income		**11,162**	10,357
Reinsurance recoverable		**2,555**	2,647
Deferred policy acquisition costs		**93,498**	95,236
Due premiums		**10,511**	9,699
Other assets (less allowance for losses of $16 and $13 in 2022 and 2021, respectively)		**3,159**	2,916
Total assets	$	**1,200,919**	1,236,045
Liabilities and Stockholder's Equity			
Liabilities:			
Policy liabilities:			
Future policy benefit reserves:			
Life insurance	$	**980,918**	959,189
Annuities		**26,402**	23,722
Accident and health reserves		**26**	—
Dividend accumulations		**31,493**	27,980
Premiums paid in advance		**35,495**	39,677
Policy claims payable		**3,147**	2,488
Other policyholders' funds		**37,666**	27,913
Total policy liabilities		**1,115,147**	1,080,969
Commissions payable		**1,187**	1,318
Other liabilities		**22,802**	11,827
Total liabilities		**1,139,136**	1,094,114
Stockholder's Equity:			
Common stock		**250**	250
Additional paid-in capital		**30,497**	30,497
Retained earnings		**31,036**	32,078
Accumulated other comprehensive income		**—**	79,106
Total stockholder's equity		**61,783**	141,931
Total liabilities and stockholder’s equity	$	**1,200,919**	1,236,045

See accompanying notes to the consolidated financial statements.

CICA Life Ltd.
Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Years Ended December 31, 2022 and 2021

(In USD thousands)		2022	2021
Revenues			
Life insurance premiums	$	**121,154**	122,227
Net investment income		**44,764**	41,754
Investment related gains (losses), net		**(8,772)**	9,183
Other income		**3,522**	2,949
Total revenues		**160,668**	176,113
Benefits and expenses			
Insurance benefits paid or provided:			
Claims and surrenders		**82,055**	76,778
Increase in future policy benefit reserves		**22,388**	28,666
Policyholders' dividends		**15,102**	15,872
Total insurance benefits paid or provided		**119,545**	121,316
Commissions		**19,520**	18,114
Other general expenses		**20,907**	17,415
Capitalization of deferred policy acquisition costs		**(17,893)**	(16,103)
Amortization of deferred policy acquisition costs		**19,631**	21,342
Total benefits and expenses		**161,710**	162,084
Net income (loss)		**(1,042)**	14,029
Other comprehensive income (loss):			
Unrealized gains (losses) on fixed maturities available-for-sale:			
Unrealized holding losses arising during the year		**(79,141)**	(26,537)
Reclassification adjustment for losses included in net income (loss)		**35**	98
Unrealized losses on fixed maturities available-for-sale, net		**(79,106)**	(26,439)
Other comprehensive loss		**(79,106)**	(26,439)
Total comprehensive loss	$	**(80,148)**	(12,410)

See accompanying notes to the consolidated financial statements.

CICA Life Ltd.
Consolidated Statements of Stockholder's Equity
For the Years Ended December 31, 2022 and 2021

(In USD thousands)		Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
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
Net loss		—	—	**(1,042)**	—	**(1,042)**
Unrealized gains (losses) on fixed maturities available-for-sale, net		—	—	—	**(79,106)**	**(79,106)**
Balance, December 31, 2022	**$**	**250**	**30,497**	**31,036**	**—**	**61,783**

See accompanying notes to the consolidated financial statements.

CICA Life Ltd.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

(In USD thousands)		2022	2021
Cash flows from operating activities:			
Net income (loss)	$	**(1,042)**	14,029
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Investment related (gains) losses, net and other assets		**8,772**	(9,183)
Net deferred policy acquisition costs		**1,738**	5,239
Depreciation		**1**	1
Amortization of premiums and discounts on investments		**2,952**	3,548
Change in:			
Accrued investment income		**(805)**	(86)
Reinsurance recoverable		**91**	(674)
Due premiums		**(812)**	723
Other assets		**(14)**	1,082
Future policy benefit reserves		**22,319**	28,558
Other policyholders' liabilities		**9,742**	12,494
Commissions payable and other liabilities		**10,843**	(3,528)
Net cash provided by operating activities		**53,785**	52,203
Cash flows from investing activities:			
Sales of fixed maturities available-for-sale		**20,177**	—
Maturities and calls of fixed maturities available-for-sale		**15,512**	33,310
Purchases of fixed maturities available-for-sale		**(72,026)**	(68,091)
Sale of other long-term investments		**5,033**	11,896
Purchases of other long-term investments		**(25,869)**	(40,786)
Increase in policy loans, net		**1,709**	2,833
Purchase of property and equipment		**—**	(3)
Net cash used in investing activities		**(55,464)**	(60,841)
Cash flows from financing activities:			
Annuity deposits		**6,376**	6,060
Annuity withdrawals		**(4,260)**	(4,170)
Net cash provided by financing activities		**2,116**	1,890
Net increase (decrease) in cash and cash equivalents		**437**	(6,748)
Cash and cash equivalents, beginning of year		**11,780**	18,528
Cash and cash equivalents, end of year	$	**12,217**	11,780

See accompanying notes to the consolidated financial statements.

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

During 2022 and 2021, various fixed maturity issuers exchanged securities with book values of $6.9 million and $6.5 million, respectively, for securities of equal value.

In 2021, fixed maturity securities of $4.1 million were transferred to Citizens, Inc. as payment of a dividend. None were transferred during 2022.

See accompanying notes to the consolidated 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 "Insurance Act"). 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.

Citizens surveyed its international market demands and needs of policyholders and in 2022 formed a new subsidiary in Puerto Rico, CICA Life, A.I. ("CICA PR"). CICA PR received a license in September 2022 to issue business as a Puerto Rico international insurer for the Citizens international business. Until December 31, 2022, Citizens operated its international business primarily through CICA Ltd. Beginning January 1, 2023, all new international policies are issued by CICA PR, and in the process of transferring CICA Ltd.'s international business to CICA PR.

2. Significant Accounting Policies

a. *Basis of preparation*

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"), except for the impact of recording certain investments at amortized cost in 2022 (see d.*Investments* below),and include the accounts and operations of CICA Ltd. and our wholly-owned subsidiary CICA PR. All significant inter-company accounts and transactions have been eliminated.

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

b. *Use of estimates*

The preparation of consolidated 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 consolidated 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 consolidated financial statements.

c. <u>*Allocations*</u>
Statement of Consolidated 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 consolidated 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. <u>*Investments*</u>
As permitted by the Insurance Act, we requested a modification under Section 6C of the Insurance Act to remove the impact of unrealized gains or losses from the Minimum Margin of Solvency ("MMS") requirement. On January 19, 2023, the Bermuda Monetary Authority ("BMA") granted CICA Ltd. a permitted practice, effective December 31, 2022, pursuant to Section 6C (1) of the Insurance Act to report its fixed income maturity securities at amortized cost in these consolidated financial statements. If the Company was not granted this permitted practice and stated available for sale fixed maturity investments at fair value, available for sale fixed maturity investments, total assets, accumulated other comprehensive income, and total stockholder's equity would each be reduced by approximately $145.8 million as of December 31, 2022, and comprehensive loss would be increased by $145.8 million for the year then ended.

Investment securities are classified as held-to-maturity ("HTM"), 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 normally 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. In 2022, because of the permitted practice discussed above, fixed maturity securities are carried at amortized cost. 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 (loss).

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

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 consolidated balance sheets.

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 consolidated 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 consist 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 consolidated 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 is 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 consolidated 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 (loss) 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% of our DAC is attributed to first year and renewal excess commissions. The remaining 5% 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, 2022 and 2021 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)		**2022**	**2021**
Balance at beginning of year	$	**95,236**	100,475
Capitalized		**17,893**	16,103
Amortized		**(19,631)**	(21,342)
Balance at end of year	$	**93,498**	95,236

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.

Unpaid claims on accident and health insurance policies represent the estimated liability for benefit expenses, both reported but not paid and incurred but not reported to the Company. 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 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 84% and 91% of direct life insurance in force in 2022 and 2021, 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 2022 portfolio ranged between 2.54% for 1 year and going up to 2.99% 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 consolidated 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 consolidated 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, 2022 and 2021.

k. *Premium revenue and related expenses*
Premiums on life policies are recognized as earned when due. Premiums paid in advance on the consolidated balance sheets are held on deposit and accrue interest at rates ranging from 2.50% to 5.00% 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 consolidated 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 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. As of the January 1, 2021 transition date, the adoption of the new guidance will have no impact on previously reported retained earnings and will decrease accumulated other comprehensive income (loss) ("AOCI") by $243.4 million, primarily from remeasuring in-force contract liabilities using upper-medium grade fixed income instrument yields as of the transition date. As of December 31, 2022, these estimates have declined, ranging from an increase in AOCI of approximately $35 million to $55 million primarily due to the increased in interest rates since the transition date. We estimate that our previously reported retained earnings will increase by a range of $50 million to $70 million primarily due to a reduction in policyholder benefits resulting from updating the underlying reserve assumptions annually compared to the use of historical assumptions that were locked at issue and reduced DAC amortization due to changes in amortization methods and the elimination of accruing and amortizing interest on existing DAC balances. In addition to the impacts to the consolidated balance sheets, the Company also expects an impact to the pattern of earnings emergence following the transition date.

On June 30, 2022, The FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820: Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. This standard clarifies that contractual restrictions on equity security sales are not considered part of the security unit of account and, therefore, are not considered in measuring fair value. In addition, the amendments clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. Disclosures on such restrictions are also required. The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods with those fiscal years, and are required to be applied prospectively, with any adjustments from the adoption recognized in earnings and disclosed. Early adoption is available. Adoption of this standard will have no impact on our consolidated financial statements.

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

3. Investments

The Company invests primarily in fixed maturity securities, which totaled 85.8% of total cash, cash equivalents and investments at December 31, 2022.

	Carrying Value as of December 31			
(In USD thousands, except for %)	**2022**	**%**	**2021**	**%**
Cash and invested assets:				
Fixed maturities available-for-sale	**$ 926,328**	**85.8 %**	$ 972,081	87.2 %
Equity securities	**4,293**	**0.4 %**	5,680	0.5 %
Other long-term investments	**69,294**	**6.4 %**	56,038	5.0 %
Policy loans	**67,902**	**6.3 %**	69,611	6.2 %
Cash and cash equivalents	**12,217**	**1.1 %**	11,780	1.1 %
Total cash and invested assets	**$ 1,080,034**	**100.0 %**	$ 1,115,190	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, 2022		
(In USD thousands, except for %)	**Amortized Cost**	**Fair Value**	**% of Total Fair Value**
AFS fixed maturity securities:			
AAA	**$ 18,712**	**18,329**	**2.3 %**
AA	**263,896**	**233,014**	**29.9 %**
A	**256,208**	**211,794**	**27.1 %**
BBB	**373,626**	**305,361**	**39.1 %**
	912,442	**768,498**	**98.4 %**
BB or below	**13,205**	**11,352**	**1.5 %**
Not rated	**681**	**681**	**0.1 %**
	13,886	**12,033**	**1.6 %**
Total AFS fixed maturity securities	**$ 926,328**	**780,531**	**100.0 %**

	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 %
AFS fixed maturity securities:	$ 892,976	972,081	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, 2022			
(In USD thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS fixed maturity securities:				
U.S. Treasury securities	$ **561**	**1**	**—**	**562**
States and political subdivisions	**231,125**	**682**	**27,094**	**204,713**
Corporate				
Financial	**174,384**	**190**	**30,886**	**143,688**
Consumer	**159,768**	**—**	**33,629**	**126,139**
Energy	**55,626**	**—**	**8,534**	**47,092**
Utilities	**75,574**	**—**	**16,324**	**59,250**
All Other	**126,365**	**—**	**21,023**	**105,342**
Residential mortgage-backed	**78,925**	**—**	**7,819**	**71,106**
Other loan-backed and structured securities	**23,900**	**12**	**1,374**	**22,538**
Other foreign governments	**100**	**1**	**—**	**101**
Total AFS fixed maturity securities	**$ 926,328**	**886**	**146,683**	**780,531**

	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
Utilities	70,623	4,628	554	74,697
All Other	136,228	14,148	290	150,086
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

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

		Fair Value as of December 31,	
(In USD thousands)		**2022**	**2021**
Equity securities:			
Common stock	$	**520**	618
Non-redeemable preferred stock fund		**3,773**	5,062
Total equity securities	$	**4,293**	5,680

VALUATION OF INVESTMENTS

AFS fixed maturity securities are reported in the consolidated financial statements at fair value in 2021. In 2022, due to the permitted practice described in Note 2d.Significant Accounting Policies , AFS fixed maturity securities are reported at amortized cost. Equity securities are measured at fair value with the change in fair value recorded through net income (loss). The Company recognized net realized losses of $1.4 million and realized gains of $0.2 million on equity securities held for the years ended December 31, 2022 and 2021, 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 recorded no credit valuation losses on fixed maturity securities for the years ended December 31, 2022 and 2021.

For AFS fixed maturity securities that have unrealized losses as of December 31, 2022 and 2021, 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, 2022								
	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	**$131,455**	**22,186**	**104**	**9,693**	**4,908**	**7**	**141,148**	**27,094**	**111**
Corporate									
Financial	**131,755**	**28,429**	**89**	**4,432**	**2,457**	**5**	**136,187**	**30,886**	**94**
Consumer	**104,978**	**22,540**	**77**	**21,162**	**11,089**	**18**	**126,140**	**33,629**	**95**
Energy	**43,110**	**7,251**	**36**	**3,982**	**1,283**	**3**	**47,092**	**8,534**	**39**
Utilities	**46,380**	**10,346**	**40**	**12,870**	**5,978**	**8**	**59,250**	**16,324**	**48**
All Other	**100,276**	**18,446**	**68**	**5,066**	**2,577**	**3**	**105,342**	**21,023**	**71**
Residual Mortgage-Back securities	**71,106**	**7,819**	**31**	**—**	**—**	**—**	**71,106**	**7,819**	**31**
Other loan-backed and structured securities	**21,327**	**1,374**	**8**	**—**	**—**	**—**	**21,327**	**1,374**	**8**
Total AFS fixed maturity securities	**$650,387**	**118,391**	**453**	**57,205**	**28,292**	**44**	**707,592**	**146,683**	**497**

	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
Utilities	15,975	350	7	2,442	204	1	18,417	554	8
All Other	10,408	290	4	—	—	—	10,408	290	4
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

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 or if market yields for such investments decline.

The amortized cost and fair value of AFS fixed maturity securities at December 31, 2022 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	$	**8,467**	**8,463**
Due after one year through five years		**68,294**	**66,935**
Due after five years through ten years		**154,950**	**145,237**
Due after ten years		**694,617**	**559,896**
Total AFS fixed maturity securities	$	**926,328**	**780,531**

There were no investments that were non-income producing for the years ended December 31, 2022 or 2021.

Major categories of net investment income are summarized as follows:

(In USD thousands)		2022	2021
Investment income:			
Fixed maturities available-for-sale	$	**38,408**	36,683
Equity securities		**254**	296
Policy loans		**5,395**	5,602
Other long-term investments		**2,524**	802
Other		**75**	18
Total investment income		**46,656**	43,401
Investment expenses		**(1,892)**	(1,647)
Net investment income	$	**44,764**	41,754

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)		2022	2021
Proceeds	$	**20,177**	—
Gross realized gains	$	**97**	—
Gross realized losses	$	**65**	—

We sold 7 and 0 fixed maturities securities from our available-for-sale portfolio in 2022 and 2021, respectively. We did not sell any equity securities in 2022 or 2021.

Investment related gains (losses) for the years ended December 31, 2022 and 2021 are as follows:

(In USD thousands)		2022	2021
Investment related gains (losses):			
Realized investment gains (losses)	$	**2,286**	1,793
Change in fair value of equity securities		**(1,387)**	(192)
Change in fair value of limited partnerships		**(9,667)**	7,452
Change in credit loss allowance		**(4)**	130
Investment related gains (losses), net	$	**(8,772)**	9,183

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 for the year ended December 31, 2021. As noted in Note 2d.Significant Accounting Policies , the Company was granted a permitted practice to report our fixed maturity securities at amortized cost for the year ended December 31, 2022. 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 have no investments in this category.

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, 2022 and 2021.

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, 2022			
(In USD thousands)		**Level 1**	**Level 2**	**Total Fair Value**
Financial assets:				
Equity securities:				
Common stock	**$**	**520**	**—**	**520**
Non-redeemable preferred stock fund		**3,773**	**—**	**3,773**
Total equity securities		**4,293**	**—**	**4,293**
Other long-term investments[1]		**—**	**—**	**66,846**
Total financial assets	**$**	**4,293**	**—**	**71,139**

[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 consolidated balance sheet.

	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 financial assets - 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 consolidated 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. As noted in Note 2d.Significant Accounting Policies , the Company was granted a permitted practice to report our fixed maturity securities at amortized cost for the year ended December 31, 2022. 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, 2022 and 2021. For the year ended December 31, 2022, 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. The Company recognized net investment related losses of $9.7 million on limited partnerships held for the year ended December 31, 2022 and gains of $7.5 million for the year ended December 31, 2021. These investments are included in other long-term investments on the consolidated balance sheets.

		December 31, 2022			December 31, 2021		
(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	**$33,234**	**6,011**	**5**	$21,947	18,712	**10**
Global equity fund	Investments in common stocks of U.S., international developed and emerging markets with a focus on long-term capital growth	**9,037**	**—**	**—**	10,607	—	**—**
Late-stage growth	Investments in private late-stage, established companies seeking capital to accelerate growth prior to an IPO or sale	**16,892**	**18,444**	**5 to 7**	20,468	4,459	**6**
Infrastructure	Investments in climate infrastructure assets, focusing on renewable power generation in wind and solar energy	**7,683**	**16,235**	**11**	3,016	16,653	**12**
Total limited partnerships funds		**$66,846**	**40,690**		**$56,038**	**39,824**	

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. We carried $2 million of limited partnership investments at cost at December 31, 2022. None were carried at cost at December 31, 2021.

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, 2022		December 31, 2021	
(In USD thousands)		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:					
Policy loans	$	**67,902**	**67,902**	69,611	69,611
Cash and cash equivalents		**12,217**	**12,217**	11,780	11,780
Financial liabilities:					
Annuities - investment contracts		**26,402**	**24,241**	23,722	26,346

Policy loans. Policy loans had a weighted average annual interest rate of 7.5% at both December 31, 2022 and 2021 and no specified maturity dates. The aggregate fair value of policy loans approximates the carrying value reflected on the consolidated 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, 2022 and 2021 using discounted cash flows based upon spot rates adjusted for various risk adjustments ranging from 4.74% to 5.09% and 0.50% to 2.63%, 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, 2022 and 2021.

(In USD thousands)		2022	2021
Policy claims payable, beginning of year	$	**2,488**	1,823
Less: reinsurance recoverable		**(360)**	(37)
Net balance		**2,128**	1,786
Add claims incurred, related to:			
Current year		**3,929**	5,894
Prior years[1]		**786**	(323)
		4,715	5,571
Deduct claims paid, related to:			
Current year		**2,220**	4,258
Prior years		**2,245**	971
		4,465	5,229
Net balance, December 31		**2,378**	2,128
Plus: reinsurance recoverable		**769**	360
Policy claims payable, end of year	$	**3,147**	2,488

[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 2022 and 2021, 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, 2022 and 2021 is summarized as follows:

(In USD thousands)		December 31, 2022	December 31, 2021
Aggregate direct life insurance in force	$	**2,996,602**	2,876,441
Aggregate ceded life insurance in force		**489,732**	407,425
Net life insurance in force	$	**2,506,870**	2,469,016

The Company's reinsurance recoveries on ceded reinsurance were $2.6 million at both December 31, 2022 and 2021.

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

(In USD thousands)		**2022**	**2021**
Premiums from long-duration contracts:			
Direct	$	**122,945**	123,898
Ceded		**(1,791)**	(1,671)
Total premiums earned	$	**121,154**	122,227
Claims and surrenders ceded	$	**(1,145)**	(1,069)

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 $61.8 million and $141.9 million at December 31, 2022 and 2021, respectively. In addition, the Company's statutory net loss was $1.0 million and net income was $14.0 million for the years ended December 31, 2022 and 2021, 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 2022 is $59 thousand. Other general expenses include total rental expense for the years 2022 and 2021 of $1.3 million and $0.9 million, respectively.

As of December 31, 2022, the Company is committed to fund investments up to $40.7 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)		**2022**	**2021**
Area:			
Colombia	**$**	**25,181**	24,829
Taiwan		**18,236**	19,042
Venezuela		**16,429**	17,788
Ecuador		**12,992**	13,115
Argentina		**9,251**	9,160
Other foreign countries		**40,856**	39,964
Net reinsurance		**(1,791)**	(1,671)
Total	**$**	**121,154**	122,227

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, 2022 and 2021. Also, based upon these rules, CICA Ltd. can pay a dividend of $4.6 million without prior regulatory approval in 2023. 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, 2022. 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 $20.5 million for the Company as at December 31, 2022, or (iii) 25% of ECR, which is $8.0 million for the Company as at December 31, 2022 (calculated as ECR of $31.8 million x 25%). The Company's statutory capital and surplus of $61.8 million as at December 31, 2022, exceeds the MSM of $20.5 million.

11. Related Party Transactions

For the years ended December 31, 2022 and 2021, included in other liabilities is an amount of $1.1 million and $1.4 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 $17.0 million in 2022 and $14.2 million in 2021.

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"). 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 24, 2023, the date the consolidated financial statements were available to be issued and determined no significant subsequent events need to be recognized or disclosed.