

CITIZENS INC  
Form 10-Q  
August 06, 2013

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

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Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended June 30, 2013

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-16509

CITIZENS, INC.

(Exact name of registrant as specified in its charter)

Colorado

84-0755371

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

400 East Anderson Lane, Austin, TX

78752

(Address of principal executive offices)

(Zip Code)

(512) 837-7100

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of August 2, 2013, the Registrant had 49,080,114 shares of Class A common stock, no par value, outstanding and 1,001,714 shares of Class B common stock outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

## CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

## Consolidated Statements of Financial Position

(In thousands)

	June 30, 2013 (Unaudited)	December 31, 2012
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (cost: \$630,177 and \$559,736 in 2013 and 2012, respectively)	\$649,109	604,520
Fixed maturities held-to-maturity, at amortized cost (fair value: \$161,012 and \$193,739 in 2013 and 2012, respectively)	159,208	187,008
Equity securities available-for-sale, at fair value (cost: \$52,392 and \$52,744 in 2013 and 2012, respectively)	52,699	53,741
Mortgage loans on real estate	687	1,509
Policy loans	45,824	42,993
Real estate held for investment (less \$1,357 and \$1,287 accumulated depreciation in 2013 and 2012, respectively)	8,509	8,496
Other long-term investments	56	57
Short-term investments	—	2,340
Total investments	916,092	900,664
Cash and cash equivalents	41,013	56,299
Accrued investment income	11,378	10,304
Reinsurance recoverable	6,673	9,651
Deferred policy acquisition costs	140,787	135,569
Cost of customer relationships acquired	24,474	25,116
Goodwill	17,160	17,160
Other intangible assets	865	879
Federal income tax receivable	224	270
Property and equipment, net	7,138	7,383
Due premiums, net (less \$1,346 and \$1,345 allowance for doubtful accounts in 2013 and 2012, respectively)	10,443	10,527
Prepaid expenses	1,335	344
Other assets	962	782
Total assets	\$1,178,544	1,174,948

(Continued)

See accompanying notes to consolidated financial statements.

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## CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

## Consolidated Statements of Financial Position

(In thousands, except share amounts)

	June 30, 2013 (Unaudited)	December 31, 2012
Liabilities and Stockholders' Equity		
Liabilities:		
Policy liabilities:		
Future policy benefit reserves:		
Life insurance	\$795,886	762,319
Annuities	53,223	51,750
Accident and health	2,712	5,491
Dividend accumulations	12,821	11,962
Premiums paid in advance	29,811	27,455
Policy claims payable	8,809	11,015
Other policyholders' funds	8,010	9,440
Total policy liabilities	911,272	879,432
Commissions payable	2,195	2,606
Deferred federal income tax	6,796	17,301
Payable for securities in process of settlement	179	2,358
Other liabilities	9,457	10,143
Total liabilities	929,899	911,840
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Class A, no par value, 100,000,000 shares authorized, 52,215,852 shares issued and outstanding in 2013 and 2012, including shares in treasury of 3,135,738 in 2013 and 2012	259,383	259,383
Class B, no par value, 2,000,000 shares authorized, 1,001,714 shares issued and outstanding in 2013 and 2012	3,184	3,184
Accumulated deficit	(15,172	) (17,335
Accumulated other comprehensive income:		
Unrealized gains on securities, net of tax	12,261	28,887
Treasury stock, at cost	(11,011	) (11,011
Total stockholders' equity	248,645	263,108
Total liabilities and stockholders' equity	\$1,178,544	1,174,948

See accompanying notes to consolidated financial statements.

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## CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

Three Months Ended June 30,

(In thousands, except per share amounts)

(Unaudited)

	2013		2012
Revenues:			
Premiums:			
Life insurance	\$42,223		39,945
Accident and health insurance	406		417
Property insurance	1,205		1,234
Net investment income	9,265		7,612
Realized investment gains, net	82		246
Decrease in fair value of warrants	—		37
Other income	427		111
Total revenues	53,608		49,602
Benefits and expenses:			
Insurance benefits paid or provided:			
Claims and surrenders	16,660		16,109
Increase in future policy benefit reserves	17,896		16,751
Policyholders' dividends	2,235		2,281
Total insurance benefits paid or provided	36,791		35,141
Commissions	10,429		9,731
Other general expenses	7,342		6,342
Capitalization of deferred policy acquisition costs	(7,672)	)	(7,044)
Amortization of deferred policy acquisition costs	4,363		4,433
Amortization of cost of customer relationships acquired	560		660
Total benefits and expenses	51,813		49,263
Income before federal income tax	1,795		339
Federal income tax expense (benefit)	488		(64)
Net income	1,307		403
Per Share Amounts:			
Basic earnings per share of Class A common stock	\$0.03		0.01
Basic earnings per share of Class B common stock	0.01		—
Diluted earnings per share of Class A common stock	0.03		0.01
Diluted earnings per share of Class B common stock	0.01		—
Other comprehensive income (loss):			
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during period	(25,544)	)	6,003
Reclassification adjustment for gains included in net income	(73)	)	(121)
Unrealized gains (losses) on available-for-sale securities, net	(25,617)	)	5,882
Income tax expense (benefit) on unrealized gains (losses) on available-for-sale securities	(8,953)	)	2,063
Other comprehensive income (loss)	(16,664)	)	3,819
Comprehensive income (loss)	\$(15,357)	)	4,222

See accompanying notes to consolidated financial statements.



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## CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

Six Months Ended June 30,

(In thousands, except per share amounts)

(Unaudited)

	2013	2012
Revenues:		
Premiums:		
Life insurance	\$81,637	77,351
Accident and health insurance	755	830
Property insurance	2,382	2,511
Net investment income	17,654	15,189
Realized investment gains, net	113	344
Decrease in fair value of warrants	—	73
Other income	613	209
Total revenues	103,154	96,507
Benefits and expenses:		
Insurance benefits paid or provided:		
Claims and surrenders		