

CITIZENS INC
Form 10-Q
August 06, 2015

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

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2015

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
(Address of principal executive offices)
(512) 837-7100

78752
(Zip Code)

(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 smaller reporting company. See the definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (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 July 31, 2015, 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, 2015 (Unaudited)	December 31, 2014
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (cost: \$702,655 and \$667,966 in 2015 and 2014, respectively)	\$730,507	707,227
Fixed maturities held-to-maturity, at amortized cost (fair value: \$241,689 and \$232,891 in 2015 and 2014, respectively)	236,186	224,932
Equity securities available-for-sale, at fair value (cost: \$69,242 and \$68,787 in 2015 and 2014, respectively)	69,809	69,879
Mortgage loans on real estate	610	628
Policy loans	56,652	54,032
Real estate held for investment (less \$1,648 and \$1,575 accumulated depreciation in 2015 and 2014, respectively)	8,043	8,131
Other long-term investments	77	135
Total investments	1,101,884	1,064,964
Cash and cash equivalents	37,820	50,708
Accrued investment income	14,427	13,457
Reinsurance recoverable	4,362	4,425
Deferred policy acquisition costs	161,502	157,468
Cost of customer relationships acquired	22,616	23,542
Goodwill	17,255	17,255
Other intangible assets	974	976
Deferred tax asset	69,417	66,269
Property and equipment, net	6,176	6,352
Due premiums, net (less \$1,417 and \$1,364 allowance for doubtful accounts in 2015 and 2014, respectively)	11,144	10,777
Prepaid expenses	1,374	301
Other assets	1,233	1,061
Total assets	\$1,450,184	1,417,555

(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, 2015 (Unaudited)	December 31, 2014
Liabilities and Stockholders' Equity		
Liabilities:		
Policy liabilities:		
Future policy benefit reserves:		
Life insurance	\$956,067	920,149
Annuities	62,260	59,727
Accident and health	1,241	1,216
Dividend accumulations	17,043	15,974
Premiums paid in advance	42,875	39,712
Policy claims payable	10,798	9,560
Other policyholders' funds	7,466	7,551
Total policy liabilities	1,097,750	1,053,889
Commissions payable	2,422	3,284
Federal income tax payable	75,562	78,818
Payable for securities in process of settlement	582	—
Other liabilities	24,621	23,205
Total liabilities	1,200,937	1,159,196
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 2015 and 2014, including shares in treasury of 3,135,738 in 2015 and 2014	259,383	259,383
Class B, no par value, 2,000,000 shares authorized, 1,001,714 shares issued and outstanding in 2015 and 2014	3,184	3,184
Accumulated deficit	(20,536	) (19,047
Accumulated other comprehensive income:		
Unrealized gains on securities, net of tax	18,227	25,850
Treasury stock, at cost	(11,011	) (11,011
Total stockholders' equity	249,247	258,359
Total liabilities and stockholders' equity	\$1,450,184	1,417,555

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)

	2015		2014	
Revenues:				
Premiums:				
Life insurance	\$46,748		44,667	
Accident and health insurance	421		390	
Property insurance	1,291		1,272	
Net investment income	11,201		10,083	
Realized investment losses, net	(8)	(73)
Other income	426		163	
Total revenues	60,079		56,502	
Benefits and expenses:				
Insurance benefits paid or provided:				
Claims and surrenders	19,240		16,668	
Increase in future policy benefit reserves	19,760		19,979	
Policyholders' dividends	2,540		2,412	
Total insurance benefits paid or provided	41,540		39,059	
Commissions	10,805		10,403	
Other general expenses	10,445		7,448	
Capitalization of deferred policy acquisition costs	(8,036)	(7,423)
Amortization of deferred policy acquisition costs	5,647		4,893	
Amortization of cost of customer relationships acquired	516		614	
Total benefits and expenses	60,917		54,994	
Income (loss) before federal income tax	(838	)	1,508
Federal income tax expense	1,076		358	
Net income (loss)	(1,914	)	1,150
Per Share Amounts:				
Basic earnings (losses) per share of Class A common stock	\$(0.04	)	0.03
Basic earnings (losses) per share of Class B common stock	(0.02	)	0.01
Diluted earnings (losses) per share of Class A common stock	(0.04	)	0.03
Diluted earnings (losses) per share of Class B common stock	(0.02	)	0.01
Other comprehensive income (loss):				
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) arising during period	(16,778	)	12,296
Reclassification adjustment for losses included in net income	8		73	
Unrealized gains (losses) on available-for-sale securities, net	(16,770	)	12,369
Income tax expense (benefit) on unrealized losses on available-for-sale securities	(5,869	)	4,340
Other comprehensive income (loss)	(10,901)	8,029	
Comprehensive income (loss)	\$(12,815)	9,179	

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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)

	2015		2014
Revenues:			
Premiums:			
Life insurance	\$89,647		86,064
Accident and health insurance	796		741
Property insurance	2,583		2,537
Net investment income	22,270		19,989
Realized investment losses, net	(79	)	(129
Other income	722		332
Total revenues	115,939		109,534
Benefits and expenses:			
Insurance benefits paid or provided:			
Claims and surrenders	38,643		33,125
Increase in future policy benefit reserves	37,058		37,677
Policyholders' dividends	4,849		&#160