

CITIZENS INC
Form 10-Q
August 07, 2014

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, 2014

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 smaller 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 1, 2014, 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, 2014 (Unaudited)	December 31, 2013
Assets		
Investments:		
Fixed maturities available-for-sale, at fair value (cost: \$628,591 and \$595,944 in 2014 and 2013, respectively)	\$663,501	605,256
Fixed maturities held-to-maturity, at amortized cost (fair value: \$234,415 and \$223,533 in 2014 and 2013, respectively)	228,948	227,696
Equity securities available-for-sale, at fair value (cost: \$54,075 and \$45,883 in 2014 and 2013, respectively)	56,637	47,259
Mortgage loans on real estate	650	671
Policy loans	52,001	48,868
Real estate held for investment (less \$1,502 and \$1,429 accumulated depreciation in 2014 and 2013, respectively)	8,218	8,440
Other long-term investments	44	45
Total investments	1,009,999	938,235
Cash and cash equivalents	57,437	54,593
Accrued investment income	12,877	12,251
Reinsurance recoverable	4,730	4,394
Deferred policy acquisition costs	150,891	146,691
Cost of customer relationships acquired	24,624	23,374
Goodwill	17,306	17,160
Other intangible assets	976	851
Property and equipment, net	6,513	6,662
Due premiums, net (less \$1,312 and \$1,429 allowance for doubtful accounts in 2014 and 2013, respectively)	10,080	11,209
Prepaid expenses	1,995	95
Other assets	1,038	765
Total assets	\$1,298,466	1,216,280

(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, 2014 (Unaudited)	December 31, 2013
Liabilities and Stockholders' Equity		
Liabilities:		
Policy liabilities:		
Future policy benefit reserves:		
Life insurance	\$876,228	834,269
Annuities	56,489	55,485
Accident and health	1,217	1,250
Dividend accumulations	14,677	13,662
Premiums paid in advance	34,700	32,560
Policy claims payable	10,733	9,488
Other policyholders' funds	7,099	7,982
Total policy liabilities	1,001,143	954,696
Commissions payable	2,377	2,562
Federal income tax payable	645	590
Deferred federal income tax	10,501	1,704
Payable for securities in process of settlement	6,103	—
Other liabilities	12,338	10,919
Total liabilities	1,033,107	970,471
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 2014 and 2013, including shares in treasury of 3,135,738 in 2014 and 2013	259,383	259,383
Class B, no par value, 2,000,000 shares authorized, 1,001,714 shares issued and outstanding in 2014 and 2013	3,184	3,184
Accumulated deficit	(10,195) (12,542
Accumulated other comprehensive income:		
Unrealized gains on securities, net of tax	23,998	6,795
Treasury stock, at cost	(11,011) (11,011
Total stockholders' equity	265,359	245,809
Total liabilities and stockholders' equity	\$1,298,466	1,216,280

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)

	2014	2013	
Revenues:			
Premiums:			
Life insurance	\$44,667	42,223	
Accident and health insurance	390	406	
Property insurance	1,272	1,205	
Net investment income	10,083	9,265	
Realized investment gains (losses), net	(73	82)
Other income	163	427	
Total revenues	56,502	53,608	
Benefits and expenses:			
Insurance benefits paid or provided:			
Claims and surrenders	16,668	16,660	
Increase in future policy benefit reserves	19,979	17,896	
Policyholders' dividends	2,412	2,235	
Total insurance benefits paid or provided	39,059	36,791	
Commissions	10,403	10,429	
Other general expenses	7,448	7,342	
Capitalization of deferred policy acquisition costs	(7,423	(7,672)
Amortization of deferred policy acquisition costs	4,893	4,363	
Amortization of cost of customer relationships acquired	614	560	
Total benefits and expenses	54,994	51,813	
Income before federal income tax	1,508	1,795	
Federal income tax expense	358	488	
Net income	1,150	1,307	
Per Share Amounts:			
Basic earnings per share of Class A common stock	\$0.03	\$0.03	
Basic earnings per share of Class B common stock	0.01	0.01	
Diluted earnings per share of Class A common stock	0.03	0.03	
Diluted earnings per share of Class B common stock	0.01	0.01	
Other comprehensive income (loss):			
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during period	12,296	(25,544)
Reclassification adjustment for (gains) losses included in net income	73	(73)
Unrealized gains (losses) on available-for-sale securities, net	12,369	(25,617)
Income tax expense (benefit) on unrealized gains (losses) on available-for-sale securities	4,340	(8,953)
Other comprehensive income (loss)	8,029	(16,664)
Comprehensive income (loss)	\$9,179	(15,357)
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)

	2014	2013
Revenues:		
Premiums:		
Life insurance	\$86,064	81,637
Accident and health insurance	741	755
Property insurance	2,537	2,382
Net investment income	19,989	17,654
Realized investment gains (losses), net	(129)	113
Other income	332	613
Total revenues	109,534	103,154
Benefits and expenses:		
Insurance benefits paid or provided:		
Claims and surrenders	33,125	31,466
Increase in future policy benefit reserves	37,677	34,855
Policyholders' dividends		