Risk Factors Comparison 2024-03-14 to 2023-03-10 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

There can be no assurance that we will be able to compete effectively in any of our markets. If we do not, our business, results of operations and financial condition will be materially adversely affected. ~~December 31, 2022 | 10- K 14CITIZENS, INC.~~ We face a greater risk of money laundering activity associated with sales derived from residents of certain foreign countries. **The insurance industry is highly vulnerable to money laundering. Money laundering in the insurance industry typically involves the exploitation of various products and mechanisms to obscure the origins of illicit funds. One common method is through the purchase of insurance policies, such as life insurance, with the use of dirty money. Criminals may overpay premiums, surrender policies prematurely, or make fictitious claims to cycle the illicit funds back as legitimate payout. To combat global financial crime, governments and international authorities implement a range of anti- money laundering and countering of terrorist financing (AML / CFT) regulations that impact the insurance sector. Penalties for compliance failures can include heavy fines.** Some of our top international markets **, such as Colombia and Venezuela,** are ~~in~~ countries **that have been** identified by the U. S. Department of ~~State~~ **the Treasury** as jurisdictions of high risk for money laundering. ~~As~~ **Accordingly, as** required by ~~the~~ **applicable** U. S. **laws** ~~Bank Secrecy Act regulations, the Bermuda Proceeds of Crime Act 1997~~ and **best business practices** ~~the Proceeds of Crime (Anti- Money Laundering and Anti- Terrorist Financing) Regulations 2008 applicable to insurance companies~~, we have developed and implemented an anti- money laundering, anti- terrorist financing and sanctions program ~~(" AML / ATF and Sanctions Program ")~~ that includes policies, procedures, controls, independent testing, reporting and recordkeeping requirements for deterring, preventing and detecting potential money laundering, terrorist financing, fraud and other criminal activity ~~in order to comply with U. S.~~ and ~~Bermuda laws. We~~ have an ~~enhanced AML / ATF and Sanctions~~ **officer of the Company responsible for managing this** ~~Program~~ **program** ~~with additional controls, such as watch- list screening beyond sanctions screening required by the U~~. **Despite our efforts to prevent money laundering through our companies** ~~S. Office of Foreign Assets Control (" OFAC") and the Financial Sanctions Implementation Unit of Bermuda, enhanced payment due diligence and transaction controls. However~~, there can be no assurance that these enhanced controls will entirely mitigate money laundering risk associated with **our insurance products, whether in** these ~~jurisdictions~~ **foreign countries or in the United States** . ~~PRODUCT~~ **December 31, 2023 | 10** - ~~RELATED~~ **K 14CITIZENS, INC. INSURANCE** RISKS BECAUSE MOST OF OUR REVENUE DERIVES FROM COLLECTION OF PREMIUMS ON OUR PRODUCTS, OUR OVERALL FINANCIAL PERFORMANCE DEPENDS ~~PRIMARILY~~ UPON ~~THE PRICING OF OUR INSURANCE PRODUCTS AND~~ THE ACCURACY OF OUR **PRODUCT** PRICING ~~ASSUMPTIONS~~ **AND ABILITY TO MANAGE PRICING ADEQUACY** . ~~CHANGES~~ **DIFFERENCES** IN ACTUAL EXPERIENCE, IMPROPER EVALUATION OF UNDERWRITING RISK ~~AND~~ **,** MISMANAGEMENT OF CLAIMS ~~HANDLING~~ **, OR OTHER UNFORESEEN EVENTS** COULD **CAUSE** ~~SIGNIFICANTLY INCREASE~~ OUR ~~BENEFIT AND EXPENSE COSTS~~ **ACTUAL RESULTS TO DIFFER FROM OUR ASSUMPTIONS, WHICH WOULD REDUCE OUR MARGINS** AND THUS NEGATIVELY AFFECT OUR PROFITABILITY AND FINANCIAL CONDITION. ~~The~~ **Pricing accuracy depends upon our ability to project future losses based on historical loss experience, adjusted for known trends. In order to price products accurately, the** Company ~~' s success depends on its ability to~~ **must develop and apply appropriate morbidity and mortality estimates, closely monitor and timely recognize changes in trends, and project both severity and frequency of losses with reasonable** ~~accurately~~ **accuracy** ~~underwrite~~ **to cover these** risks ~~and to charge adequate premiums to policyholders~~. **Pricing** ~~The Company' s financial condition, liquidity and results of operations largely depend on the Company' s ability to underwrite and set premiums accurately for the risks it faces. Premium rate~~ adequacy is necessary to generate sufficient premiums to cover our cost of sales, costs of operations (including payment of policy benefits) and to earn a profit. **Pricing adequacy** ~~In order to price products accurately, the Company must develop and apply appropriate morbidity and mortality estimates, closely monitor and timely recognize changes in trends, and project both severity and frequency of losses with reasonable accuracy to cover these risks. The Company must also review and properly underwrite applications for life insurance in order to charge a sufficient premium to its policyholders. The Company' s ability to undertake these efforts successfully~~ is subject to a number of risks and uncertainties, including, without limitation: • availability of sufficient reliable data; • incorrect or incomplete analysis of available data; • uncertainties inherent in estimates and assumptions; • selection and application of appropriate rating formulae or other pricing methodologies; • adoption of successful pricing strategies; • prediction of policyholder life expectancy and retention; • unforeseen events that may cause our estimates to be wrong (such as the COVID- 19 pandemic); • unanticipated legislation, regulatory action or court decisions; or • unexpected changes in interest rates or inflation. Such risks may result in the Company' s pricing being based on outdated, inadequate, or inaccurate data, or inappropriate analyses, assumptions, or methodologies, and may cause the Company to estimate incorrectly future changes in the frequency or severity of claims. As a result, the Company could underprice risks, which would negatively affect the Company' s margins, or it could overprice risks, which could reduce the Company' s volume and competitiveness. ~~The Company' s ability to accurately underwrite risks in insurance products depends in part on its ability to forecast such changes and trends. If it is not successful in doing so, the Company' s operating results, financial condition, and cash flow could be materially adversely affected. December 31, 2022 | 10- K 15~~ Pricing accuracy depends upon our ability to project future losses based on historical loss experience, including policyholder retention. Unanticipated increases in early policyholder withdrawals or surrenders or elections by policyholders to receive lump sum payouts at maturity could negatively impact liquidity. A primary liquidity concern is the risk of unanticipated or extraordinary early policyholder withdrawals or surrenders. ~~Our~~ **Some**

of our insurance policies include provisions, such as surrender charges, that help limit and discourage early withdrawals ~~. We also track and manage liabilities and align our investment portfolio in an effort to maintain sufficient liquidity to support anticipated withdrawal demands~~ . However, early withdrawal and surrender levels may differ from anticipated levels for a variety of reasons, including changes in economic conditions, changes in policyholder behavior or financial needs, changes in relationships with our independent consultants, efforts by foreign governments to tax policyholders or increases in surrenders among policies that have been in force for more than fifteen years and are no longer subject to surrender charges **. These changes in surrender activity may result in remeasurement gains or losses which could increase volatility in our results of operations** . In addition, we face potential liquidity risks if policyholders with mature policies elect to receive lump sum distributions at greater levels than anticipated. Our whole life and endowment products provide the policyholder with alternatives once the policy matures. The policyholder can choose to take a lump sum payout or leave the money on deposit at interest with the Company. The Company has a significant amount of aging endowment products that have begun reaching their maturities and policyholder election behavior is not known. It is uncertain how policyholders will react in response to these maturities. If a large number of policyholders elect lump sum distributions, the Company could be exposed to liquidity risk in years of high maturities. If we experience unanticipated early withdrawal or surrender activity or greater than expected lump sum distributions of endowment maturities and we do not have sufficient cash flow from our insurance operations to support payment of these benefits, we may have to sell our investments in order to meet our cash needs or be **December 31, 2023 | 10- K 15** forced to obtain third- party financing. The availability of such financing will depend on a variety of factors, such as market conditions, the availability of credit in general or more specifically in the insurance industry, the strength or weakness of the capital markets, the volume of trading activities, our credit capacity, and the perception of our long- or short- term financial prospects if we incur large realized or unrealized investment losses or if the level of business activity declines due to a market downturn. Therefore, if we are forced to sell our investments on unfavorable terms or obtain financing with unfavorable terms, it could have an adverse effect on our liquidity, results of operations and financial condition. ~~Our~~ **The Company' s success depends on its ability to accurately underwrite risks in order to charge adequate premiums to policyholders. The Company' s financial results largely depend on the Company' s ability to underwrite and set premiums accurately for the risks it faces. Failure to adequately underwrite health risks (i. e., to charge lower premiums than should be charged based on an individual' s health or to accept risks of extremely unhealthy individuals) or other types of risks (e. g., political risks) could negatively impact profitability as we could pay higher benefits than our products are priced for. Historically, we have fully underwritten most of our products in order to properly evaluate risk. For many of our newer products, primarily in the U. S., we utilize a " simplified " underwriting process. Simplified issue life insurance uses a simple form of underwriting. Applicants must answer some health- related questions but do not have to take a life insurance medical exam. The underwriting decision is based on questions answered on the application and may be supplemented with additional medical claims history and lab data information. Any shortcomings in the process used to evaluate and price our policies, or significant inaccuracies in the life expectancy estimates relating to those policies, could have a material and adverse effect on our results of operations and financial condition. Policyholder claims is one of our** largest ~~expense~~ **expenses** ~~is payments of claims and surrenders to our policyholders~~ . Mismanagement of claims handling or increased fraudulent claims could negatively impact our costs and financial condition. Proper claims handling is critical to managing our benefit expenses. Many factors can affect the Company' s ability to pay claims accurately, including the following: • the training, experience, and skill of the Company' s claims representatives; • the extent of fraudulent claims and the Company' s ability to recognize and respond to such claims; ~~• the claims organization' s culture and the effectiveness of its management;~~ and • the Company' s ability to develop or select and implement appropriate procedures, technologies, and systems to support claims functions. The Company' s failure to pay claims fairly, accurately, and in a timely manner, or to deploy claims resources appropriately, could result in unanticipated costs, lead to material litigation, undermine customer goodwill and the Company' s reputation in the marketplace, impair its brand image and, as a result, materially and adversely affect its competitiveness, financial results, prospects, and liquidity. Higher than expected policyholder claims related to unforeseen events may negatively impact our premium revenues, increase our benefits and expense costs and increase our reinsurance costs, thus negatively affecting our financial condition. ~~The occurrence~~ **Our life and health insurance products are particularly exposed to risks** of ~~unforeseen or~~ catastrophic **mortality** ~~events, including the emergence of a pandemic~~ , such as **a pandemic** ~~COVID- 19,~~ or other ~~widespread health emergency (or concerns over~~ **events that result in a large number of deaths. In addition,** the ~~possibility~~ **occurrence** of such an ~~emergency), cybersecurity incidents~~ **event in a concentrated geographic area could have a severe disruptive effect on our workforce** and **business operations. The likelihood and severity of such** events **cannot be predicted and are difficult to estimate. In such an event** , ~~terrorist attacks~~ **the impact to our operations could have a material adverse impact on our ability to conduct business and on our results of operations and financial condition** , ~~war, trade policies, military conflict, extreme climate~~ **particularly if those problems affect employees performing operational tasks and supporting computer** - ~~related incidents~~ **based data processing,** or **destroy the capability to transmit, store, and retrieve valuable data. In addition, in the** ~~events~~ - **event that a significant number of** ~~or~~ **our** ~~other natural~~ **management were unavailable following a** ~~disasters~~ - **disaster** , **the achievement of our strategic objectives** could **be negatively impacted.** ~~create economic and financial disruptions, and could lead to operational~~ December 31, ~~2022~~ **2023** | 10- K 16 ~~difficulties that could impair our ability to manage our business. Below are two examples of how unforeseen events and the risks they pose could impact our business. COVID- 19 pandemic. The COVID- 19 pandemic has negatively impacted certain aspects of our business and, depending on severity and duration, could have a material adverse effect on our financial condition, results of operations and overall business operations in the future. Due to the uncertain nature of the COVID- 19 pandemic and its variants and impacts, we cannot fully estimate the duration or full impact of the COVID- 19 pandemic on our business. Some of the most significant risks related to the ongoing COVID- 19 pandemic include higher level~~

~~of claims, decreased premium revenue due to disruption to our workforce and distribution channels, travel and business restrictions. Some potential future risks include (i) the adequacy of our pricing assumptions due to long- term effects of COVID-19, (ii) our ability to adequately underwrite risks related to COVID- 19 survivors, and (iii) our ability to ensure the safety of our employees and potential lawsuits related to safety and / or workplace policies. Additionally, the COVID- 19 pandemic has led to reliance on digital distribution and development of digital sales and service platforms in order to offset social distancing measures and thus our ability to develop and maintain these platforms and protect them from cyber risk is critical to our ongoing success. Climate Change. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophes are restricted to small geographic areas; however, hurricanes, earthquakes, tsunamis and man- made catastrophes may produce significant damage or loss of life in larger areas, especially those that are heavily populated. SPFIC sells property insurance policies in Louisiana and Arkansas. Climate change, including rising temperatures and changes in weather patterns, could impact storm frequency and severity in our coverage areas, which could materially impact our financial performance. Furthermore, since we obtain catastrophic storm reinsurance, storm frequency could cause us to have to obtain additional reinsurance, which negatively impacts our premium revenue. Since we operate in a highly regulated and competitive environment, we may not be able to raise our rates sufficiently to recoup our losses. Additionally, the volume and severity of storms increases the risks of writing property insurance in coastal areas, which could cause us to change our business model, negatively impacting our revenue and earnings.~~ Reinsurance may not be available or affordable, or reinsurers may be unwilling or unable to meet their obligations under our reinsurance contracts, which may adversely affect our results of operations or financial condition. As part of our overall risk management and capital management strategies, we purchase reinsurance for certain risks underwritten by our various insurance subsidiaries. Market conditions beyond our control determine the availability and cost of reinsurance. Any decrease in the amount of reinsurance will increase our risk of loss and may impact the level of capital requirements for our insurance subsidiaries, and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce our results of operations. Accordingly, we may be forced to incur additional expenses for reinsurance or may be unable to obtain sufficient reinsurance on acceptable terms, which may adversely affect our ability to write future business, result in the assumption of more risk with respect to the policies we issue, and increase our capital requirements. The collectability of our reinsurance recoverable is primarily a function of the solvency of the individual reinsurers. We cannot provide assurance that our reinsurers will pay the reinsurance recoverable owed to us or that they will pay these recoverables on a timely basis. The insolvency of a reinsurer or the inability or unwillingness of a reinsurer to comply with the terms of a reinsurance contract may have an adverse effect on our results of operations or financial condition. Our actual claims losses may exceed our reserves for claims and we may be required to establish additional reserves, which in turn may adversely impact our results of operations and financial condition. We maintain reserves to cover our estimated exposure for claims relating to our issued insurance policies. Reserves do not represent an exact calculation of exposure, but instead represent our best estimates using actuarial and statistical procedures. Reserve estimates are refined as experience develops, and adjustments to reserves are reflected in our **consolidated** statements of operations **and comprehensive income (loss)** for the period in which such estimates are updated. Because establishing reserves is an inherently uncertain process involving estimates of future losses, future developments may require us to increase policy benefit reserves, which restricts our use of cash to the extent of such increased reserves and increases expenses, negatively affecting our results of operations and financial condition in the periods in which such increases occur. ~~December 31, 2022 | 10- K 17 We may be required to accelerate the amortization of deferred acquisition costs, which would increase our expenses and adversely affect our results of operations and financial condition. At December 31, 2022, we had $ 140. 2 million of deferred policy acquisition costs, or DAC. DAC represents costs that are directly related to the successful sale and issuance of our insurance policies, which costs are deferred and amortized over the premium paying period of the related insurance policies. These costs include commissions in excess of ultimate renewal commissions, solicitation and printing costs, sales material costs and some support costs, such as underwriting and contract and policy issuance expenses. Under U. S. GAAP for our type of insurance products, DAC is amortized over the premium- paying period of the policies. Because DAC is amortized over such period, unexpected changes from our assumptions that shorten the premium- paying period, such as increased lapse and surrender rates, or lower persistency in the early years of a policy, would cause us to have to accelerate the amortization of DAC. We regularly review the quality of our DAC to determine if it is recoverable from future income. If these costs are not recoverable, the amount that is not recoverable is charged to expenses in the financial period in which we make this determination. Unfavorable experience with regards to expected expenses, investment returns, surrender and other policy charges, mortality, morbidity, lapses or persistency may cause us to increase the amortization of DAC or to record a current period expense to increase benefit reserves, any of which could have a material adverse effect on our results of operations and financial condition.~~ THE DISTRIBUTION OF OUR PRODUCTS THROUGH INDEPENDENT CONSULTANTS **AND AGENCIES** REDUCES OUR CONTROL OVER SALES AND DISTRIBUTION AND THUS SUBJECTS US TO CERTAIN RISKS THAT COULD NEGATIVELY IMPACT OUR REVENUES, OUR IN- FORCE BUSINESS, AND OUR BENEFITS AND EXPENSE COSTS. Sales of our insurance products could decline if we are unable to establish and maintain relationships with independent marketing agencies, independent consultants and agents. We depend almost exclusively on the services of **a small number of independent consulting agencies in our international markets and on** independent marketing **organizations, general** agencies ~~,~~ **and** independent ~~consultants, and~~ agents **in our domestic markets** for the distribution of our products. **The loss of any of** ~~These~~ **these producers could negatively affect** ~~agencies, agents and consultants are key to the development and maintenance of~~ our ~~relationships with our policyholders~~ **sales and policy retention** . Significant competition exists among insurers in attracting and maintaining marketers of demonstrated ability. Some of our competitors may offer better compensation packages or commissions or induce agents to sell their products due to their broader product offerings, more distribution resources, better brand recognition, more competitive pricing, lower cost structures or greater financial strength or claims paying ratings than we have. We compete with other insurers for marketing agencies, agents and independent consultants primarily on the basis of our compensation, products and support services. Any reduction in our ability to attract and retain effective sales representatives could materially adversely affect our revenues, results of operations and financial condition. Additionally, ~~as we disclosed in Item 3. Legal Proceedings,~~ we are subject to a risk of our independent consultants leaving our Company to sell products for a competitor and inducing our policyholders to lapse or surrender their policies, or otherwise terminate their relationship with us, in order to purchase products from the independent consultant with ~~our~~ **a** competitor company. **Because we sell** ~~There may be adverse tax, legal or~~ **our products through** ~~financial consequences if our sales representatives are determined not to be~~ independent **agents,** ~~consultants. Our sales representatives are independent consultants who operate their own businesses. Although we believe that~~ we have ~~properly classified~~ **less control over the manner in which they sell** our ~~representatives~~ **products. As described above in Item 1, Business, Regulation, insurance regulators focus on market conduct, i. e., the way we sell our products. In the United States, there are several insurance regulations and federal laws that limit how we December 31, 2023 | 10- K 17 sell our products, such** as ~~independent consultants, there~~ -- **the** ~~is nevertheless a risk that the IRS~~ **Telephone Consumer Protection Act (" TCPA")** , **which governs how** ~~a foreign agency, a court or~~ **our agents can contact customers** ~~other authority will take the different view that our~~ - **or** ~~sales representatives should be classified~~ **potential customers via telephone and text. While we expect our agents to comply with their contractual obligations to us and laws such** as ~~employees. The tests governing~~ **the TCPA, we have limited control over how** ~~the~~ **they conduct** ~~determination of whether an individual is considered to be an independent consultant or an employee are typically fact- sensitive and vary from jurisdiction to jurisdiction. Laws and regulations that govern the~~ **their business** ~~status and misclassification of independent sales representatives are subject to change and interpretation~~ . If **violations, such as TCPA violations, were attributed** ~~there is a change in the manner in which our independent consultants are classified or an adverse determination with respect~~ to **us** ~~some or all of our independent consultants by a court or governmental agency~~ , we could incur significant **fines** ~~costs in complying with such laws~~ and **if attributed to** ~~regulations, including in respect of tax withholding, social security December 31, 2022 | 10- K 18 payments, government and private pension plan contributions and recordkeeping, or~~ **our** ~~we~~ **agents,** may **cause** ~~be required to modify our business model, any of which could have a material adverse effect on our business, financial condition and results of operations. In addition, there is the~~ **them** ~~risk that we may be subject~~ to **stop selling** ~~significant monetary liabilities arising from fines or~~ **our products** ~~judgments as a result of any such actual or alleged non- compliance with applicable federal, state, local or foreign laws~~ . ~~LEGAL REGULATION~~ - **REGULATORY** ~~AND~~ RISKS INSURANCE IS A HIGHLY REGULATED BUSINESS. REGULATIONS VARY FROM JURISDICTION TO JURISDICTION AND MAY CHANGE FROM TIME TO TIME. THESE REGULATIONS AFFECT OUR OPERATIONS AND CHANGES COULD NEGATIVELY IMPACT OUR CASH FLOW, THE RESULTS OF OUR OPERATIONS, OUR LIQUIDITY AND OUR FINANCIAL CONDITION. In addition to the legal risks related to our international operations discussed above in this Item 1A, Risk Factors, we are subject to risks related to the laws and regulations in the jurisdictions where we are domiciled and registered to do business, including ~~Bermuda,~~ Puerto Rico and various U. S. states. ~~These~~ -- **The** material risks are described below. Our insurance subsidiaries are subject to minimum capital and surplus requirements, and any failure to meet these requirements could subject us to regulatory action or other restrictions **, including ceasing business** . The capacity for an insurance company' s growth in premiums is partially a function of its required statutory surplus. Maintaining appropriate levels of statutory surplus, as measured by statutory accounting practices prescribed or permitted by a company' s jurisdiction of domicile, is ~~considered~~ **the most** important ~~by~~ **solvency measure for** insurance regulatory authorities. Failure to maintain required levels of statutory surplus could result in increased regulatory scrutiny and enforcement action by regulatory authorities. Our insurance subsidiaries are subject to minimum capital and surplus requirements in the U. S. ~~, Bermuda,~~ and Puerto Rico ~~as described below~~ . If we fail to meet these standards and requirements, our various regulators may require specified actions to be taken, including without limitation: • restricting distributions from our subsidiaries to Citizens; or • requiring Citizens to contribute additional capital to a subsidiary; or • requiring Citizens to enter into a guaranty or other agreement to contribute capital to such subsidiary under certain circumstances; **or • requiring the applicable insurance company to stop selling new business;** all of which could have a material and adverse impact on the Company' s competitiveness, operational flexibility, financial condition, and results of operations. ~~Additionally, failure to maintain certain levels of statutory surplus could result in increased regulatory scrutiny or action by regulatory authorities.~~ In ~~April~~ **August** ~~2021~~ **2023 , in order to comply with the requirements of the Bermuda regulators to transfer our international business to CICA International in Puerto Rico** , Citizens and CICA International entered into a Keep Well Agreement, as described in Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations- Liquidity and Capital Resources. If CICA International' s minimum capital level ~~fell~~ **falls** below **certain thresholds as set forth in** the **agreement** ~~minimum required by the BMA~~ , Citizens may have to contribute capital to CICA ~~International~~ **Bermuda** , which could negatively impact our capital resources and liquidity **. In our CICA Domestic business, we pay advance commissions on some of our insurance products, meaning we pay an agent their commission immediately upon sale of a policy, rather than" as earned", or when premiums are received by us. Because of this, another liquidity concern is the risk that rapid growth in first year sales of these products could create a significant increase in commission payments, which increases expenses and thus reduces our statutory capital until the commissions are recouped from premiums paid. CICA Domestic sales have increased significantly since the third quarter of 2023 and continue to grow rapidly. To mitigate this risk and strain on capital, we may seek options, such as reinsurance or loans at the holding company level (from the Credit Facility or otherwise) that would allow us to reduce the liquidity risk should CICA Domestic' s required commission payments exceed current resources. If we are unable to purchase reinsurance protection in amounts that we consider sufficient or unable to borrow money to contribute capital to CICA Domestic, we could be exposed to cash flow strain. For CICA Domestic, commission advances are non- admitted assets, which increases required regulatory December 31, 2023 | 10- K 18 capital and reduces the excess capital available. As**

discussed above, management is investigating various options in order to reduce both regulatory capital and liquidity risk should the capital required to support this growth exceed current resources. Citizens may have to contribute capital to CICA Domestic to maintain the required RBC ratio . Citizens is a holding company that has minimal operations of its own and depends on the ability of our insurance subsidiaries to pay dividends or make service payments to us in sufficient amounts to fund our operations. If they cannot make such payments, Citizens may need to sell ~~its~~ investments or seek external capital to cover its operational costs. As a holding company, our assets consist of the capital stock of our subsidiaries, cash and investments. Accordingly, we rely primarily on statutorily permissible payments from our insurance ~~company~~ subsidiaries, principally through dividends or service agreements we have with our subsidiaries, to meet our working capital needs. As discussed above, the ability of our insurance ~~company~~ subsidiaries to make payments to us is subject to regulation by the states and jurisdictions in which they are domiciled, and in addition to maintaining minimum capital and surplus ratios, these payments depend primarily on regulatory approval of dividend payments and approved service agreements between us and these subsidiaries. ~~December 31, 2022 | 10- K 19~~ Except to the extent that we are a creditor with recognized claims against our subsidiaries, claims of our subsidiaries' creditors, including policyholders, have priority with respect to the assets and earnings of the subsidiaries over the claims of other creditors (including us) and shareholders. If any of our subsidiaries become insolvent, liquidates or otherwise reorganizes, our policyholders will have a priority to receive the assets of such subsidiary and Citizens may have no rights to receive cash or other assets of such subsidiaries. If our internal sources of liquidity prove to be insufficient to cover our holding company operations, we may have to sell investments earlier than we want to sell them or in less than favorable market conditions, or we may have to seek external sources of capital. Out of an abundance of caution, in May 2021, we entered into a Credit Facility with Regions Bank. See Part IV, Item 15, Note ~~7~~ **8** , Commitments and Contingencies in the notes to our consolidated financial statements, herein, for a description of the Credit Facility. To date, we have not utilized the Credit Facility, but if internal sources of capital are not sufficient to meet our operating needs, we may need to utilize the Credit Facility or increase the borrowing availability under the Credit Facility. We may also need to raise capital through issuing our stock. Borrowing money, increasing our borrowing availability under the Credit Facility or obtaining financing for even a small amount of capital could be challenging or expensive in unfavorable market conditions and during periods of economic uncertainty. The availability of financing will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to the financial services industry, and the possibility that customers or lenders could develop a negative perception of our financial prospects. Raising capital in unfavorable market conditions could increase our interest expense or negatively impact our shareholders through dilution of their common stock ownership of the Company. Citizens and our insurance subsidiaries are subject to extensive governmental regulation in Puerto Rico ~~, Bermuda~~ and in the U. S. The rules and regulations to which we are subject may change and impose greater restrictions on our business, which could increase our costs of doing business, restrict the conduct of our business, increase capital requirements for our insurance subsidiaries and negatively impact our results of operations, liquidity and financial condition. CICA International ~~is registered in Bermuda and is subject to regulation by the Bermuda Monetary Authority (" BMA") and the provisions of the Bermuda Insurance Act and the rules and regulations promulgated thereunder, as well as other laws which apply to Bermuda- based companies, such as compliance with Common Reporting Standards, which are administered by the Bermuda Ministry of Finance (" MOF"). Citizens and our domestic insurance subsidiaries are subject to extensive regulation and supervision in U. S. jurisdictions where we are domiciled and where we do business. These rules and regulations require us to comply with privacy, anti- money laundering, bank secrecy, anti- corruption and foreign asset control laws among others. CICA PR~~ is registered in Puerto Rico and is subject to regulation by the Puerto Rico Office of the Insurance Commissioner (" OIC"). As a Puerto Rico International Insurer, CICA ~~PR~~ **International** is governed by Chapter 61 of the Puerto Rico Insurance Code. Additionally, CICA ~~PR~~ **International** must comply with other laws and regulations of Puerto Rico, most of which apply to our domestic subsidiaries as well, including ~~the~~ U. S. **federal laws such as the** Bank Secrecy Act ~~and other anti- money laundering laws and regulations of the United States~~ . In the U. S., we are **primarily** subject to **regulation at the** ~~federal laws, as well as~~ state- level ~~regulation, including a requirement to obtain approval of forms and rates in the states we sell our insurance policies~~ . Insurance company regulation is generally designed to protect the interests of policyholders, with substantially ~~lesser~~ -- **less** protections to shareholders of the regulated insurance **companies or their holding** companies. To that end, all the U. S. states in which we do business have insurance regulatory agencies with broad legal powers with respect to licensing companies to transact business, mandating capital and surplus requirements, regulating claims practices, approving service agreements between a holding company and its operating subsidiary, restricting companies' ability to enter and exit markets, **approving December 31, 2023 | 10- K 19 product forms and to a lesser extent, rates,** and restricting or prohibiting the payment of dividends by our subsidiaries to us. The ~~BMA,~~ OIC ~~,~~ and most U. S. insurance regulatory authorities have broad discretion to grant, renew, suspend and revoke licenses and approvals, and could preclude or temporarily suspend us from carrying on some or all of our activities, including acquisitions of other insurance companies, require us to add capital to our insurance ~~company~~ subsidiaries, or fine us. If we are unable to maintain all required licenses and approvals, or if our insurance business is determined not to comply fully with the wide variety of applicable laws and regulations and their interpretations, our revenues, results of operations and financial condition and our reputation could be materially adversely affected. **Non** ~~December 31, 2022 | 10- K 20~~ **compliance with laws or regulations related to customer and consumer privacy and information security, including a failure to ensure that our business associates with access to sensitive customer and consumer information maintain its confidentiality, could materially adversely affect our reputation and business operations. The collection, maintenance, use, disclosure and disposal of personally identifiable information by our insurance subsidiaries are highly regulated. Applicable laws and rules are subject to change by legislation or administrative or judicial interpretation. Various state laws address the use and disclosure of personally identifiable information to the extent they are more restrictive than those contained in the privacy and security provisions in the federal Gramm- Leach- Bliley Act. Noncompliance with any**

privacy laws, whether by us or by one of our business associates, could have a material adverse effect on our business, reputation and results of operations and could result in material fines and penalties, various forms of damages, consent orders regarding our privacy and security practices, adverse actions against our licenses to do business, and injunctive relief. FINANCIAL ~~REGULATION AND~~ RISKS Changes in accounting standards may adversely affect our reported results of operations and financial condition. Our consolidated financial statements are subject to the application of GAAP in the U. S. ~~and Bermuda~~ , which is periodically revised and / or expanded. Accordingly, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board (" FASB") ~~, the BMA~~ and the National Association of Insurance Commissioners (" NAIC"). ~~Future accounting standards we adopt, including the FASB' s Accounting Standard Update~~ **Updates** ~~related to long- duration insurance contracts (known as LDTI), will change current accounting and disclosure requirements applicable to our~~ **or revisions,** ~~consolidated financial statements. These changes~~ including underlying assumptions, projections, estimates or judgments / interpretations by management, could have a material adverse effect on our business, financial condition and results of operations. In addition, the required adoption of new accounting standards may result in significant incremental costs associated with initial implementation and ongoing compliance. See Note 1. Summary of Significant Accounting Policies in the notes to our consolidated financial statements contained herein for additional information regarding accounting updates. Unexpected losses in future reporting periods may require us to record a valuation allowance against our deferred tax assets. Under U. S. GAAP, we are required to evaluate our deferred tax assets (" DTA") quarterly for recoverability based on available evidence. This process involves management' s judgment about assumptions, which are subject to change from period to period due to tax rate changes or variances between our projected operating performance and our actual results. Ultimately, future adjustments to the DTA valuation allowance, if any, will be determined based upon changes in the expected realization of the net deferred tax assets. The realization of the deferred tax assets depends on the existence of sufficient taxable income in either the carry back or carry forward periods under applicable tax law. Due to significant estimates utilized in establishing the valuation allowance and the potential for changes in facts and circumstances, it is reasonably possible that we may be required to record a valuation allowance in future reporting periods. Such an adjustment could have a material adverse effect on our results of operation and financial condition. **A ratings downgrade or other negative action by a rating agency could materially affect our business, financial condition, and results of operations. A. M. Best reviews CICA Domestic and publishes its financial strength rating as an indicator of our ability to fulfill our contractual obligations. This rating is important to maintaining public confidence in our insurance products. A downgrade or other negative action by A. M. Best with respect to the financial strength rating of CICA Domestic December 31, 2023 | 10- K 20 could negatively affect us by limiting or restricting the ability of CICA Domestic to attract independent insurance agencies to distribute our products or reduce the attractiveness of our products to consumers.** ECONOMIC ENVIRONMENT RISKS INVESTMENT INCOME IS A MATERIAL PORTION OF OUR TOTAL REVENUES. CHANGING FINANCIAL CONDITIONS SUCH AS MARKET VOLATILITY, CHANGES IN INTEREST RATES, OR INFLATION MAY ADVERSELY AFFECT OUR REVENUES, OUR RESULTS OF OPERATION AND OUR FINANCIAL CONDITION. Global or regional changes in the financial markets or economic conditions could adversely affect our business in many ways, including the following: • Inflation, a potential recession, as well as declines in consumer confidence or increase in unemployment rates, could lead to a conservation of cash and decline in the volume of new sales and ~~,~~ renewal premiums, or increased surrenders and lapses, and therefore to a decline in our premium revenue or increase in benefit expenses paid out. • Market volatility, specifically declining equity markets, negatively impact the fair market value of our equity securities, leading to investment- related losses that negatively affect our GAAP operating revenue and profitability. • We are subject to credit risk in our investment portfolio. Defaults by third parties in the payment or performance of their obligations under these securities could reduce our investment income or result in the recognition of realized losses. Additionally, downgrades in the bonds in our portfolio may result in the recognition of credit related allowances and cause us to reduce the carrying value of our investment portfolio. This could negatively affect our ~~stockholder~~ **stockholders '** equity. ~~December 31, 2022 | 10- K 21~~ • Low or declining interest rates could negatively affect us for **many** ~~some of the following~~ reasons **, including** : ◦ Our fixed maturity investment portfolio is primarily invested in callable securities. As interest rates have declined and remained ultra- low over the past decade, many of these securities were called and we have had to reinvest in lower interest rate bonds, leading to reduced net investment income and low yields. ◦ Some of our products, principally endowment products and traditional whole life insurance with annuity riders, expose us to the risk that decreases in interest rates will reduce our" spread", or the difference between the amounts we are required to pay under our contracts to policyholders and the rate of return we are able to earn on our investments intended to support obligations under the contracts. ◦ An interest or discount rate is used in calculating reserves for our insurance products. We set our reserve discount rate assumptions based on our current and expected future investment yield for assets supporting the reserves, considering current and expected future market conditions. If the discount rate assumed in our reserve calculations is higher than our future investment returns (due to lower interest rates), our invested assets will not earn enough investment income to support our future benefit payments. In that case, we may be required to ~~amortize any remaining DAC,~~ record additional liabilities and / or increase our capital contributions to our insurance subsidiaries in the period this occurs. • Rising interest rates may negatively affect us **as** ~~for some of the following~~ **follows** ~~reasons~~ : ◦ Rising interest rates typically reduce the market values of fixed income assets, as the interest payments on such assets become less competitive relative to newer high rate fixed income instruments. This leads to material unrealized losses and negatively affects our ~~stockholder~~ **stockholders '** equity. ◦ Policies may become less attractive to our policyholders in a rising interest rate environment. They may surrender their policies or make early withdrawals to increase their returns, requiring us to liquidate investments and realize an actual loss. • Some of our investments, such as mortgage- backed and other asset- backed securities, carry prepayment risk. As interest rates increase, the likelihood of prepayment is lower, as the issuer will want to make payments based on the lower interest rates. If the repayment of principal occurs later than we expected, our cash flow could be negatively impacted. As interest rates decrease, issuers are more likely to pre- pay, which could cause us to have to re-invest the pre- paid cash at lower interest rates, reducing our yields and net investment income. **December 31, 2023 | 10- K 21** • The decision of whether to record a credit loss impairment is determined by our assessment of the financial condition and prospects of a particular issuer, projections of future cash flows and recoverability as well as our ability and intent to hold the securities to recovery or maturity ~~. We evaluate our investment portfolio for impairments~~. There can be no assurance that we have accurately assessed the level of impairments taken. Historical trends may not be indicative of future impairments and additional impairments may need to be taken in the future. Any event reducing the value of our securities on an other than temporary basis may have a material adverse effect on our business, results of operations, or financial condition. **CYBERSECURITY AND TECHNOLOGY RISKS** THE COMPANY RELIES ON OUR INFORMATION TECHNOLOGY SYSTEMS, AND THE DATA MAINTAINED WITHIN THOSE SYSTEMS, TO MANAGE MANY ASPECTS OF OUR BUSINESS. CYBERSECURITY RISKS, THE FAILURE OF OUR SYSTEMS TO OPERATE PROPERLY AND / OR THE FAILURE TO MAINTAIN THE CONFIDENTIALITY, INTEGRITY, AND AVAILABILITY OF POLICYHOLDER AND CLAIMS DATA, INCLUDING PERSONAL IDENTIFYING INFORMATION, COULD RESULT IN A MATERIALLY ADVERSE EFFECT ON OUR BUSINESS, REPUTATION, FINANCIAL CONDITION AND RESULTS OF OPERATIONS. Our failure to maintain effective information systems could adversely affect our business. We must maintain and enhance our existing information systems and develop and integrate new information systems to keep pace with continuing changes in information processing technology, evolving industry and regulatory standards and changing customer preferences in a cost-effective manner. If we do not maintain adequate systems, we could experience adverse consequences, including inadequate information on which to base ~~December 31, 2022 | 10- K 22~~ pricing, underwriting and reserve decisions, regulatory problems, failure to meet prompt payment obligations, increases in administrative expenses and loss of customers. Our failure to maintain effective and efficient information systems, or our failure to consolidate our existing systems could have a material adverse effect on our results of operations and financial condition. Some of our information technology systems and software are mainframe- based, legacy- type systems that require an ongoing commitment of resources to maintain current standards. Our systems utilize proprietary code requiring highly skilled personnel. Due to the unique nature of our proprietary operating environment, we could have difficulty finding personnel with the skills required to provide ongoing system maintenance and development as we seek to keep pace with changes in our products and business models, information processing technology, evolving industry and regulatory standards and policyholder needs. We are continuously evaluating and enhancing systems and creating new systems and processes as our business depends on our ability to maintain and improve our technology. Due to the complexity and interconnectedness of our systems and processes, these changes, as well as changes designed to update and enhance our protective measures to address new threats, increase the risk of a system or process failure or the creation of a gap in our security measures. Any such failure or gap could adversely affect our business operations and results of operations. A cyber attack or other security breach could disrupt our operations, result in the unauthorized disclosure or loss of confidential data, damage our reputation or relationships, and expose us to significant financial and legal liability, which may adversely affect our business, results of operations, or financial condition. We store confidential information about our business and our policyholders, independent marketing firms, and independent agents, consultants and others on our information technology systems, including proprietary and personally identifiable information. As part of our normal business operations, we use this information and engage third- party providers, including outsourcing, cloud computing, and other business partners, that store, access, process, and transmit such information on our behalf. We devote significant resources and employ security measures to help protect our information technology systems and confidential information, and we have programs in place to detect, contain, and respond to information security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we and our third-party providers may be unable to anticipate these techniques or implement adequate preventative measures. In addition, hardware, software, or applications we develop or procure from third parties or through open source solutions may contain defects in design or manufacture or other problems that could unexpectedly compromise our information security. Unauthorized parties, whether within or outside our company, may disrupt or gain access to our systems, or those of third parties with **December 31, 2023 | 10- K 22** whom we do business, through human error, misfeasance, fraud, trickery, or other forms of deceit, including break- ins, use of stolen credentials, social engineering, phishing, or other cyber attacks, computer viruses, malicious codes, and similar means of unauthorized and destructive tampering. We and our third- party providers experience information security incidents from time to time. There is no assurance that our security systems and measures will be able to prevent, mitigate, or remediate future incidents. A successful penetration or circumvention of the security of our information technology systems, or those of third parties with whom we do business, could cause serious negative consequences for us, including significant disruption of our operations, unauthorized disclosure or loss of confidential information, harm to our brand or reputation, loss of customers and revenues, violations of privacy and other laws, and exposure to litigation, monetary damages, regulatory enforcement proceedings, fines, and potentially criminal proceedings and penalties. If we are unaware of the incident for some time after it occurs, our exposure could increase. In addition, the costs to address or remediate systems disruptions or security threats or vulnerabilities, whether before or after an incident, could be significant. As we continue to build our digital capabilities and focus on enhancing the customer experience, the amount of information that we retain and share with third parties is likely to grow, increasing the cost to prevent data security breaches and the cost and potential consequences of such breaches. An information technology systems failure could also interfere with our ability to comply with financial reporting and other regulatory requirements, exposing us to potential disciplinary action by regulators. Although we have insurance against some cyber risks and attacks, we may be subject to litigation and financial losses that exceed our policy limits, are subject to deductibles or are not covered under any of our current insurance policies. ~~December 31, 2022 | 10- K 23~~ The failure of our business recovery and incident management processes to resume our business operations in the event of a catastrophe, an epidemic, a cyber attack, or other event could adversely affect our profitability, results of operations, or financial condition. In the event of a disaster such as a catastrophe, an epidemic, a cyber attack, cyber security breach or other information technology systems failure, a terrorist attack, or war, unanticipated problems with our disaster recovery systems could have a material adverse impact on our ability to conduct business and on our results of operations and financial condition, particularly if those problems affect our information technology systems and destroy valuable data or result in a significant failure of our internal control environment. In addition, in the event that a significant number of our employees were unavailable in the event of a disaster, our ability to effectively conduct business could be severely compromised. The failure of our information technology and / or disaster recovery systems for any reason could cause significant interruptions or malfunctions in our or our customers' operations and result in the loss, theft, or failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers. Such a failure could harm our reputation, subject us to regulatory sanctions, legal claims, and increased expenses, and lead to a loss of customers and revenues. RISKS RELATED TO HOLDING OUR SECURITIES The number and location of our shareholders may make it difficult to obtain approval of certain corporate actions. Because we allow our policyholders to use their policy dividends to purchase our Class A common stock through our ~~CISIP~~ -- **SIP** , we have ~~almost 86~~ **over 84** , 000 shareholders and approximately 40 % of our shareholders hold less than 100 shares each. Many of these shareholders are located in Latin America and the Pacific Rim, where most of our policies are sold, and English may not be their native language. We believe that because of this, we typically have low voter turn- out at our annual meetings and therefore any proposal, such as one related to a merger or an acquisition of our Company, or an amendment to our articles of incorporation, that may require the affirmative vote of a majority of the outstanding shares of our Class A common stock, may be difficult to approve. Our Class A common stock is not registered in any foreign country. As mentioned above, a significant portion of our Class A common stock has been purchased under the ~~CISIP~~ -- **SIP** by foreign holders of life insurance policies. The Class A common stock sold under the ~~CISIP~~ -- **SIP** is registered with the SEC **December 31, 2023 | 10- K 23** pursuant to a Form S- 3 registration statement under the Securities Act of 1933 but is not registered under the laws of any foreign jurisdiction. If a foreign securities regulatory authority were to determine the offer and sale of our Class A common stock under the ~~CISIP~~ -- **SIP** was not allowed under applicable laws and regulations of its jurisdiction, such authority may issue or assert a fine, penalty or cease and desist order against our offer and sale of Class A common stock in that foreign jurisdiction. There is a risk our Class A common stock price could be negatively impacted by a decrease in participation in the ~~CISIP~~ -- **SIP** . Applicable insurance laws in the jurisdictions where our insurance subsidiaries are domiciled may discourage takeovers and business combinations that our shareholders might consider to be in their best interests. Insurance laws in the jurisdictions in which our insurance subsidiaries are domiciled require regulatory actions for certain transactions, such as a merger or acquisition of our Company, that our shareholders might consider in their best interests. To the extent the interests of our policyholders and stockholders conflict, the insurance regulators consider the best interests of policyholders over the best interests of our shareholders. As a result, our shareholders may be prevented from receiving the benefit from any premium to the market price of our Class A common stock that may be offered by a bidder in a takeover context or such regulatory approval requirement may delay, deter, render more difficult or prevent a takeover attempt or a change in control.