

Risk Factors Comparison 2025-03-13 to 2024-03-14 Form: 10-K

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

As a smaller reporting company, we are not required to disclose information required by this Item 1A. However, we have elected to provide the following discussion of risks as we feel it is important to provide adequate information to our investors regarding the risks of investing in our securities. If any of these risks develop into actual events, our business, financial condition, results of operations or cash flows could be materially and adversely affected, and, as a result, the trading price of our Class A common stock could decline. These risk factors may also be important to understanding other statements in this Form 10-K. The following information should be read in conjunction with Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and accompanying notes in Part II, Item 8, Financial Statements and Supplementary Data of this report. Because of the following factors, as well as other factors affecting the Company's financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

~~December 31, 2023 | 10-K 12~~**CITIZENS, INC.** INTERNATIONAL BUSINESS RISKS A SUBSTANTIAL PORTION OF OUR REVENUE IS GENERATED FROM INSURANCE PRODUCTS SOLD OUTSIDE OF THE UNITED STATES. ~~WHILE OUR PRODUCTS ARE PRICED AND PAID FOR IN U. S. DOLLARS,~~ **WHICH OUR FOREIGN BUSINESS MAY SUBJECT** **SUBJECTS** US TO SEVERAL RISKS. Our sales to residents of foreign countries expose us to unknown risks related to foreign regulation, foreign currency restrictions, and political instability. A significant loss of sales in these foreign markets would have a material adverse effect on our results of operations and financial condition.

International Regulatory Risks. A substantial majority of our direct insurance premiums, approximately ~~70-67~~ **70-67** % at December 31, ~~2023~~ **2024**, are from policyholders in foreign countries, primarily those in Latin America and the Pacific Rim. As described in Part I ~~7~~ **5**, Item 1 ~~7~~ **5**, Business, these policies are issued by our Puerto Rico subsidiary, CICA International, which is licensed as an international insurer in Puerto Rico. Our products are sold by independent consultants who are located in the foreign countries in which the policies are sold. Generally, the foreign countries in which we offer insurance products require either us and / or our independent consultants to obtain a license or register to conduct insurance business in that country. Some of these countries also require that local regulatory authorities approve the terms and rates of any insurance product sold to residents of that country. Some of these countries have laws that state that their residents may not purchase life insurance from us or a consultant may not sell life insurance on our behalf unless we become qualified to do business in that country or unless our policies receive prior approval from their insurance regulators. Others have a "consumption abroad" model where their residents may purchase unregistered products only if they are outside of their country when the purchase is made. ~~We do not~~ **We do not** ~~Other than Puerto Rico and formerly Bermuda, we have never registered~~ **Other than Puerto Rico and formerly** ~~register~~ **register** to do business in these countries (i. e., we are non-admitted) or ~~nor sought~~ **nor sought** ~~do we seek~~ **do we seek** to have our international products approved by ~~a any~~ **a any** governmental authority. While we have undertaken a comprehensive compliance review of risks associated with the potential application of foreign laws to our sales of insurance policies in foreign countries, the laws vary by country and there is a lack of uniform regulation and lack of clarity in certain regulations and thus we face various risks associated with the application of foreign laws to these sales. There is a risk that foreign governments where we sell our products will become more aggressive in enforcing any perceived violations of their laws and seek to impose monetary fines or criminal penalties on us or our independent consultants, and / or order us to cease our sales in that jurisdiction. There is no assurance that, if a foreign country were to require that we qualify to do business in that country or submit our policies for approval by that country's regulatory authorities, we would be able to, or would conclude that it is financially reasonable to comply with those requirements. We have sought to mitigate the risks described above by, among other things, not locating any of our offices or assets in these foreign countries or jurisdictions, and selling policies only through independent consultants rather than our own employees. **We also try to mitigate risks by relying on laws that allow citizens of some countries to buy insurance abroad or by reverse solicitation.** We rely on our independent consultants to comply with laws applicable to them in marketing and servicing our insurance products in their respective countries. There is no assurance that these precautionary measures, practices and policies will partially or entirely mitigate the risks associated with the potential application of foreign laws to our sales of insurance policies in our foreign markets. Although the Company believes that these foreign regulators do not have jurisdiction over the Company and that any actions, including fines, may be unenforceable against the Company, any regulatory action could otherwise ~~December 31, 2024 | 10-K 12~~ **December 31, 2024 | 10-K 12** ~~CITIZENS, INC.~~ **CITIZENS, INC.** absorb Company time and resources (including independent consultants) away from its business operations or the Company may choose to pay such fines in order to do business in a particular country. Alternatively, the Company may determine that the risks associated with a particular market and its regulatory environment outweigh the benefits of conducting further business in that market and discontinue doing business there. Any actions by a foreign government to enforce these laws against us could cause disruption to the marketing and sale of our policies in that country or our withdrawal from doing business in that country, which could have a material adverse effect on our premium revenue, our costs and expenses and on our results of operations and financial condition.

International Currency Risks. While we only sell U. S. dollar denominated products, currency control laws or other currency exchange restrictions in foreign countries could materially adversely affect our revenues by limiting the ability of our policyholders in such countries to pay premiums in U. S. dollars or to receive U. S. dollar benefits. Difficulties in transferring funds from or converting currencies to U. S. dollars in certain countries could cause an increase in fees and costs associated with such payments or receipt of benefits and therefore make our products less attractive to such policyholders.

~~December 31, 2023 | 10-K 13~~ **International Political Risks.** Many of the countries in which we operate have a history of

political instability, including regime changes, political uprisings, and anti- democratic or anti- U. S. policies. The ability of people living in these countries to purchase and continue to make premium payments on our insurance policies and our ability to sell our policies in those countries through our independent consultants or otherwise may be adversely affected by political instability. Given the nature of our products, in an economic environment characterized by higher unemployment, lower personal income and reduced consumer spending, new product sales may be adversely affected. During such periods, we may also experience higher claims, longer claims duration, increase in policy lapses and / or increase in surrenders, any of which could have a material adverse effect on our results of operations or financial condition. In addition, the imposition of U. S. sanctions against foreign countries where our policyholders reside could make it difficult for us to continue to issue new policies and receive premiums from policyholders in those countries. We face significant competition in our international markets. If we are unable to compete effectively **for customers or distributors** in these markets, our business, results of operations and profitability may be adversely affected. We experience considerable competition for sales of our policies, primarily from the following ~~sources~~ **types of companies**, many of which have substantially greater financial, marketing and other resources than we have: • ~~Offshore companies~~ **Companies with U. S. dollar- denominated policies. We face direct competition from companies that operate in the same manner as we do in our international markets and sell similar U. S. dollar- denominated products**; • ~~Foreign companies~~ **Companies with that are foreign to a particular jurisdiction, but register locally operated subsidiaries. These companies may that are registered in those countries and offer both local jurisdiction- regulated products in local currency and regulated or offshore U. S. dollar- denominated policies. This arrangement creates a competition competitive in that advantage for these companies because they can cross- sell the U. S. dollar- denominated policies are cross- sold with through established distributors who sell high- need local insurance policies**, such as health insurance; and • ~~Locally operated companies~~ **Companies with who are local to a particular jurisdiction and sell local currency policies. Because We compete with companies formed and operated in the country in which our foreign- insureds reside . In addition in this country, from time to time, companies enter and exit the they may have more trust for a local company markets in which we operate, thereby increasing competition at times when there are new entrants. We may lose business to competitors offering competitive products at lower prices, or for other reasons. Since we rely on a small number of foreign agencies, who recruit their own independent consultants, for distribution of our international products in foreign markets. The fact we are not a local or admitted company, regulation regulations and- or licensing requirements imposed upon our Company or these consultants, may impact our ability to attract and retain effective sales representatives, who may choose to distribute products of our competitors. 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. 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~~ **these illicit funds**. Criminals may overpay premiums, surrender policies prematurely, or make fictitious claims to cycle the illicit **December 31, 2024 | 10- K 13** 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- Failure to comply with these regulations can include result in penalties or~~ heavy fines. Some of our top international markets, such as Colombia and Venezuela, are countries that have been identified by the U. S. Department of the Treasury as jurisdictions of high risk for money laundering. Accordingly, as required by applicable U. S. laws and best business practices, we have developed and implemented an anti- money laundering, anti- terrorist financing 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 and have an officer of the Company responsible for managing this program. Despite our efforts to prevent money laundering through our companies, there can be no assurance that these enhanced controls will entirely mitigate money laundering risk associated with our insurance products, whether in these foreign countries or in the United States. ~~December 31, 2023 | 10- K 14~~ **INSURANCE RISKS BECAUSE MOST OF OUR REVENUE DERIVES FROM COLLECTION OF PREMIUMS ON OUR PRODUCTS AND OUR LARGEST EXPENSE IS PAYMENT OF INSURANCE BENEFITS**, OUR OVERALL FINANCIAL PERFORMANCE DEPENDS UPON THE ACCURACY OF **THE ASSUMPTIONS THAT UNDERLIE** OUR PRODUCT PRICING ~~AND ABILITY TO MANAGE PRICING ADEQUACY~~. DIFFERENCES IN ACTUAL EXPERIENCE, IMPROPER EVALUATION OF UNDERWRITING RISK, MISMANAGEMENT OF CLAIMS, OR OTHER UNFORESEEN EVENTS ~~COULD WOULD~~ CAUSE OUR ACTUAL RESULTS TO DIFFER FROM OUR ASSUMPTIONS, WHICH WOULD REDUCE OUR MARGINS, **INCREASE OUR RESERVES AND THUS REMEASUREMENT LOSS**, NEGATIVELY ~~AFFECT~~ **AFFECTING** OUR PROFITABILITY AND FINANCIAL CONDITION. 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 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. Pricing 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 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. Pricing accuracy depends upon our ability to project future losses. **Additionally, the actuarial assumptions that underlie our reserves are based on our best estimates of mortality, lapses, morbidity and discount rates. Our results will be affected to the extent there is a variance between our actuarial assumptions and actual experience. Domestic growth in the Life Insurance segment has significantly expanded in the last 2 years. Our current profitability is affected by the level of reserves we have to hold for this new business, and how closely actual experience matches our actuarial assumptions. The actuarial assumptions that underlie our reserves are 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. Some of our insurance policies include provisions, such as well surrender charges, that help limit and..... with the Company. The Company has - as emerging trends 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 **2024** 10- K 14 15 forced to obtain third- party..... results of operations and financial condition. 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 politically exposed** 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 **where - Simplified issue life insurance uses a simple form of underwriting. Applicants applicants generally** must answer some health- related questions, but do not have to take a life insurance medical exam **or submit supporting documentation**. The underwriting decision is based on questions answered on the application and may be supplemented with additional medical claims history and lab data information **that we get from third parties**. 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 expenses. 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; 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, **to recognize fraudulent claims, or to deploy claims resources appropriately, could result in unanticipated costs, lead to material litigation or regulatory fines**, 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 **and** increase our benefits and expense **costs and increase our reinsurance** costs, thus negatively affecting our financial condition. Our life and health insurance products are particularly exposed to risks of catastrophic mortality, such as a pandemic or other events that result in a large number of **deaths policyholder claims**. In addition, the occurrence of such an 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, 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, particularly if those problems affect employees performing operational tasks and supporting computer- based data processing, or destroy the capability to transmit, store, and retrieve valuable data. In addition, in the event that a significant number of our management were unavailable following a disaster, the achievement of our strategic objectives could be negatively impacted. **Lower than expected policyholder retention can negatively affect our business operations and liquidity. A primary liquidity concern is the risk of unanticipated or extraordinary early policyholder withdrawals or surrenders. Some of our insurance policies include provisions, such as** surrender charges, that help limit and discourage early withdrawals. 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 of** policies that **have been in force for more than fifteen years and are** no longer **remain** 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** December 31, 2023 **2024** 10- K 16 **15** needs or be 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**. 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.~~ 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~~ **OR OUR REPUTATION**. 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 agents in our domestic markets for the distribution of our products. The loss of any of these producers could negatively affect our 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, 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 a competitor company. **December 31, 2024 | 10- K 16** Because we sell our products through independent agents, we have less control over the manner in which they sell our products. As described above in **Part I**, Item 1 ~~7~~, **Business** ~~7~~, **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 the Telephone Consumer Protection Act (" TCPA"), which governs how our agents can contact customers or potential customers via telephone and text. While we expect our agents to comply with their contractual obligations to us and laws such as the TCPA, we have limited control over how they conduct their business. If violations, such as TCPA violations, were attributed to us, we could incur significant fines and if attributed to our agents, may cause them to stop selling our products **. Additionally, improper conduct by the agents who sell our products could negatively impact our business reputation**. REGULATORY 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 Puerto Rico and various U. S. ~~states~~ **jurisdictions**. ~~The~~ **These** material risks are described below **. We are licensed in and subject to regulation in Puerto Rico, 43 U. S. states and Washington, D. C. Each of these jurisdictions have their own licensing and other requirements to do business in such jurisdiction. Failure to comply with all of these rules and regulations could cause us to lose a license, have a license suspended, or subject us to large fines, all of which would negatively impact our ability to do business. In the U. S., we are primarily subject to regulation at the state- level. CICA International 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 International is governed by Chapter**

61 of the Puerto Rico Insurance Code. Additionally, CICA International must comply with other laws and regulations of Puerto Rico, most of which apply to our domestic subsidiaries as well, including U. S. federal laws such as the Bank Secrecy Act. The OIC and most U. S. insurance regulatory authorities have broad discretion to grant, renew, suspend and revoke licenses and product approvals. Failure to comply with a complex landscape of rules and regulations that apply to us could preclude or temporarily suspend us from carrying on some or all of our activities or result in substantial penalties. 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. 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 the most important 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. **December 31, 2024 | 10- K 17** Our insurance subsidiaries are subject to minimum capital and surplus requirements in the U. S. and Puerto Rico. 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; **or**
- **as a last resort, the regulator may take over the subsidiary** all of which could have a material and adverse impact on the Company's competitiveness, results of operational operations and flexibility, financial condition, and results of operations.

In August ~~March of 2023~~ **2024**, 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 ~~the Colorado Division of Insurance~~ entered into a **Keep-Well capital maintenance Agreement** agreement, that specifies that Citizens will infuse capital as described in Item 7. Management **needed to ensure that CICA Domestic's RBC remains above 350 %** Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources. **Any required** If CICA International's minimum capital level falls below certain thresholds as set forth in the agreement, Citizens may have to contribute **contribution** capital to CICA 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 **a portion of their first year** commission immediately upon sale of a policy, rather than "as earned", or when premiums are received by us. **Because of this** **On a statutory basis**, another liquidity concern is the risk **commission advances are non- admitted assets, which means** that our rapid growth in first year sales of these products could create a significant increase in commission payments, which increases expenses **are increased** and thus reduces our statutory capital **reduced** until the commissions are recouped from premiums paid. **This could cause us to have to contribute extra capital to CICA Domestic to maintain the required level of capital and surplus. Additionally, rapid growth in first year sales have of these products creates a significant increased increase in commission payments** significantly since the third quarter of 2023 and continue to grow rapidly. To mitigate this risk and strain on capital, we **which reduces our available cash, negatively affecting our liquidity. 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 **or require additional capital contributions from Citizens**. 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 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 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 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. **Because** ~~Except to the extent that we are a creditor with recognized claims against our subsidiaries~~ **primary goal of insurance regulations is to protect policyholders**, 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 **Citizens'** 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. **In** ~~Out of an abundance of caution, in May 2021~~ **2024**, we **renewed our** ~~entered into a~~ Credit Facility with Regions Bank **for an additional three years**. See Part IV ~~;~~ **Item 15** ~~;~~ **Note 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 **December 31, 2024 | 10- K 18** 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. **We may also need to raise capital through issuing our stock.** 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 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 Puerto Rico and is subject to regulation by the Puerto Rico Office of the Insurance Commissioner (" OIC"). As a Puerto Rico International Insurer, CICA International is governed by Chapter 61 of the Puerto Rico Insurance Code. Additionally, CICA International must comply with other laws and regulations of Puerto Rico, most of which apply to our domestic subsidiaries as well, including U. S. federal laws such as the Bank Secrecy Act. In the U. S., we are primarily subject to regulation at the state level. Insurance company regulation is generally designed to protect the interests of policyholders, with substantially 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 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 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-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 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., 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") and the National Association of Insurance Commissioners (" NAIC"). Updates or revisions, 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 **Part IV. Item 15.** 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 OPERATIONS 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 an increase in unemployment rates or declines in consumer confidence or increase in unemployment rates, could lead people to conserve a conservation of cash and decline, thereby causing a decrease in the volume of new sales and renewal premiums, or an December 31, 2024 | 10- K 19 increased- increase in surrenders and lapses, and therefore to which would cause 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 effect on our business, results of operations, our or stockholders' equity financial condition. 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. There can be no assurance that we have accurately assessed the level of impairments taken.
- Low or declining interest rates could negatively affect us for many reasons, including:
 - Our fixed maturity investment portfolio is primarily invested in callable securities. As interest rates have declined and remained ultra- low for a over the past decade until 2022, 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 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 follows:
 - 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 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. 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 December 31, 2024 | 10- K 20 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. Our policyholder administration system allows us to administer almost all of our business, including issuing policies, crediting premiums to such policies, and payment of commissions to our agents. We must maintain and enhance our existing information systems- system and develop and integrate new information systems in a cost- effective manner 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 inability to accept new applications or issue new products, inadequate information on which to base 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. Our primary policy administration Some of our information technology systems- system is a and software are mainframe- based, legacy- type systems- system that require requires an ongoing commitment of resources to maintain current standards. Our systems- system utilize utilizes 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..... 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. **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** collect, maintain and use 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 ("PH"), of our ~~applicants, policyholders, independent agents and others~~. 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** as companies who print and mail our **behalf** policies and premium notices, data programmers, marketing companies, and agents, who may also collect, store, access, process, and transmit this PH. Various federal and state laws, as well as laws of the countries in which our policyholders reside, address the use and disclosure of PH. We devote significant resources and employ security measures to help protect our information technology systems and confidential information, **including PH**, and we have programs in place to detect, contain, and respond to **cyber information** security incidents. ~~We also have a stringent process to analyze the systems of our third-party vendors and partners who may collect and/or have access to our PH.~~ 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. ~~December 31, 2024 | 10- K 21~~ We and our third-party providers may 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 ~~cyber attacks~~ **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**. 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. 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. **As mentioned above, we rely on our technology systems to operate our business.** In the event of ~~a disaster such as a catastrophe, an epidemic,~~ a cyber attack, cyber security breach or other information technology systems failure, **whether due to a disaster such as a natural catastrophe, an epidemic, a terrorist attack, or war, the inability to use our policy administration system and other information systems, or an unanticipated problems- problem** with our disaster recovery systems, ~~could would~~ have a material adverse impact on our ability to conduct business and **depending on how long the inability to use such systems lasts,** 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 SIP, we have ~~over 84~~ **almost 83**, 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 SIP by foreign holders of life insurance policies. The Class A common stock sold under the 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 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 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 **December 31, 2024 | 10-K 22** 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.