

# CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

## Life Insurance

Our Life Insurance segment primarily issues ordinary whole life insurance and endowment policies in U.S. dollar-denominated amounts to foreign residents in more than 20 countries through approximately 1,110 independent marketing consultants, and domestically through over 50 independent marketing firms and consultants throughout the United States.

	Years Ended December 31,		
	2018	2017	2016
	(In thousands)		
<b>Revenue:</b>			
Premiums	\$ 141,146	150,708	151,195
Net investment income	39,985	38,578	33,350
Realized investment gains (losses), net	358	(461)	(1,685)
Other income	1,833	1,061	882
Total revenue	183,322	189,886	183,742
<b>Benefits and expenses:</b>			
Insurance benefits paid or provided:			
Claims and surrenders	69,149	60,393	58,440
Increase in future policy benefit reserves	43,671	70,783	71,373
Policyholders' dividends	6,316	6,226	6,774
Total insurance benefits paid or provided	119,136	137,402	136,587
Commissions	20,079	25,760	29,235
Other general expenses	18,718	18,597	14,284
Capitalization of deferred policy acquisition costs	(17,194)	(23,157)	(26,742)
Amortization of deferred policy acquisition costs	29,915	25,295	24,428
Amortization of cost of customer relationships acquired	583	595	559
Total benefits and expenses	171,237	184,492	178,351
Income before income tax expense	\$ 12,085	5,394	5,391

**Premiums.** Premium revenues decreased in 2018 compared to 2017 as first year premiums decreased 34.2% and 18.8% in 2018 and 2017, respectively. Our renewal premiums for 2018 were comparable to 2016 levels but down from 2017 by 2.7%.

Life Insurance premium breakout is detailed below.

	Years Ended December 31,		
	2018	2017	2016
	(In thousands)		
Premiums:			
First year	\$ 11,451	17,403	21,434
Renewal	129,695	133,305	129,761
Total premium	\$ 141,146	150,708	151,195

The Company has taken actions over the past few years that may be negatively impacting our current sales levels. In 2016, the Company reduced discretionary dividends on existing international policies in response to the sustained low interest rate environment. This was the first time in the Company's history that it had adjusted this policy benefit. In 2017, the Company introduced a set of repriced products in response to the continued low interest rate environment in order to increase profits in our international markets. These measures resulted in more expensive policies for our customers and likely negatively impacted our new sales. In April 2018, in connection with our review of our international business model, we discontinued accepting new life