

## CITIZENS, INC. AND CONSOLIDATED SUBSIDIARIES

### Contractual Obligations and Off-balance Sheet Arrangements

We have committed to the following contractual obligations as of December 31, 2018, with the payments due by the period indicated below:

Contractual Obligation	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
(In thousands)					
Operating leases	\$ 3,265	1,939	1,296	30	—
Future policy benefit reserves:					
Life insurance	1,179,946	17,613	47,573	74,363	1,040,397
Annuities	76,377	76,151	14	7	205
Accident and health	944	129	530	12	273
Total future policy benefit reserves	1,257,267	93,893	48,117	74,382	1,040,875
Policy claims payable:					
Life insurance	7,194	7,194	—	—	—
Accident and health	99	99	—	—	—
Casualty	321	321	—	—	—
Total policy claims payable	7,614	7,614	—	—	—
Total purchase obligations	—	—	—	—	—
Total contractual obligations	\$ 1,268,146	103,446	49,413	74,412	1,040,875

The payments related to the future policy benefits and policy claims payable reflected in the table above have been projected utilizing assumptions based upon our historical experience and anticipated future experience.

The Company's principal executive office is currently located at 2900 Esperanza Crossing, 2<sup>nd</sup> Floor, Austin, Texas. In August 2017, the Company entered into a two-year lease agreement with an unrelated party for our principal executive office. The lease started in August 2017 and will expire in August 2019. In January 2019, the Company entered into a long-term lease agreement with an unrelated party for our new principal executive office. The building in which we have leased office space is under construction and is expected to be completed in 2020. The long-term lease will commence after construction of the building is complete and has a 121-month term. Payments under the new long-term lease agreement will average approximately \$112,340 per month. To bridge the gap between the expiration date of the current lease and the lease commencement date of the new long-term lease, the Company is in the process of locating a short-term lease for our principal executive office.

The Company does not have off-balance sheet arrangements at December 31, 2018 and, therefore, does not expect any future effects on the Company's financial condition related to any such arrangements. We do not utilize special purpose entities as investment vehicles, nor are there any such entities in which we have an investment that engages in speculative activities of any nature, and we do not use such investments to hedge our investment positions.

### Parent Company Liquidity and Capital Resources

Citizens is a holding company and has had minimal operations of its own. Our assets consist of the capital stock of our subsidiaries, cash, fixed income securities, mutual funds and investment real estate. Our cash flows depend primarily upon the availability of statutorily permissible payments, primarily payments under management agreements from our life insurance subsidiaries. The ability to make payments is limited by applicable laws and regulations of Bermuda and U.S. states of domicile, which subject insurance operations to significant regulatory restrictions. These laws and regulations require, among other things, that these insurance subsidiaries maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay to the holding company. We historically have not relied upon dividends from subsidiaries for our cash flow needs. However, our subsidiaries have made dividend payments of available funds from time to time in relation to business strategies.